

Poor US figures deal double blow to Bush

George Bush's administration took a double buffeting yesterday with news of a surge in the US trade deficit and a drop in industrial production. Official figures showed the trade deficit soaring to \$8bn (\$5.2bn) in August, with exports taking their steepest drop for five years. Adding to the gloom, September's industrial production showed a fall for the second month running. Page 3

Nigeria cancels polls: Nigeria's military government cancelled the results of last month's fraud-riddled presidential primary elections and dissolved the leaderships of the country's two civilian parties, state radio said.

Iraq case investigator named: US attorney-general William Barr named a Justice Department special counsel to review a "loans to Iraq" case which has become a political embarrassment to President Bush. The Democratic party has alleged an administration cover-up.

General Motors: troubled US automotive group expects to report third-quarter losses at least 20 per cent lower than the \$1.06bn deficit of July-September 1991. Page 14

Nobel prize for Guatemalan campaigner:

Guatemalan Indian leader Rigoberta Menchu Tum was named 1992 Nobel Peace prizewinner for her human rights campaigning. The Norwegian Nobel Committee said she stood out "as a vivid symbol of peace and reconciliation across ethnic, cultural and social dividing lines". Her mother, father and brother were killed for their involvement in indigenous rights movements. Rigoberta Menchu, 33, has been living in exile in Mexico for 11 years. Page 4

Spain wants delay: Spain would like production of the European Fighter Aircraft delayed for "years", although Madrid has told its EFA partners that it still wants to pursue the project. Page 6

Banks to merge: North-eastern Japanese regional banks Ugo Bank and Aikio Bank are to merge - a pattern likely to be followed elsewhere in the country. Page 14

EC deal on maternity leaves: European Community governments agreed rules that will guarantee women across the EC 14 weeks' maternity leave at a minimum of statutory sick pay. Italy relented after blocking the plan until the last minute.

Chernobyl restarted: One reactor was restarted at the Chernobyl nuclear power station in Ukraine, site of the world's worst nuclear accident in 1986. Another will be restarted next month to ensure winter energy supplies. The whole plant is still due to go out of service by the end of next year.

Aircraft checks urged: The Netherlands is asking the US to order urgent metal fatigue checks on Boeing 747s with Pratt & Whitney engines - the type of aircraft involved in the disastrous crash in Amsterdam on October 4.

Japanese explosion: Nine people were killed and eight injured east of Tokyo when a big oil refinery exploded. Fuji Oil's Sodegaura refinery was shut down after the blast.

Geiger counter checks: Swiss customs posts are using Geiger counters to help halt illegal nuclear imports. In August four Poles inadvertently brought radioactive Caesium 137 into Switzerland, and last week a Polish gang was caught in Germany trying to sell a stolen Russian warhead.

Moral dilemmas: German doctors, politicians and theologians are divided over the fate of a brain-dead pregnant woman who is being kept alive artificially until her expected birth of her child in five months. The woman's brain stopped functioning after she was admitted to hospital last week suffering injuries from a car crash.

Duchess sues for \$4m: The Duchess of York and her friend John Bryan are suing a French photographic agency and magazine for more than \$4m in Paris over pictures showing her topless at a holiday villa. A ruling on the action, brought under French privacy laws, is expected next month.

STOCK MARKET INDICES

FT-SE 100	2,588.8 (+17.2)	New York Composite	1,649.25
Yield	4.69		
FT-SE 100	396.54 (+10.15)	London	1,657 (1,701)
FT-AirShare	1,288.32 (+4.08)	DM	2,447.6 (2,482)
Nikkei 225	17,599.81 (+258.08)	FF	8.31 (8,372)
Dow Jones Ind Ave	3,146.58 (+28.10)	Sfr	2.185 (2.2)
S&P Composite	488.93 (+1.57)	Y	198.5 (204.5)
		Y Index	80.7 (81.5)

US LUNCHTIME RATES

Federal Funds	3%	New York Composite	1,649.25
3-mo Treas Bill	2.94%	DM	1,480.35
Long Bond	5.5%	FF	8.32
Yield	7.34%	Sfr	1,328.85

LONDON MONEY

3-mo interbank	8 1/4%	London	1,657 (1,701)
3-mo long bill future	Dec 92 97 1/2	DM	2,447.6 (2,482)
		FF	8.31 (8,372)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	\$29.5	Sfr	1,318.5 (1,393)
		Y	198.5 (204.5)
Gold		S Index	61.7 (61.3)

New York Comex (Oct)

Gold	\$342.4	(341.0)
London	\$342.45	(342.0)
		Tokyo close Y 128.5

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Major faces premiership crisis as MPs threaten Commons revolt over pit closures

Rate cut fails to calm coal storm

By Philip Stephens and
Ralph Atkins

MR JOHN MAJOR was struggling last night to weather the most severe crisis of his premiership after a 1 percentage point cut in interest rates to 8 per cent failed to calm the storm of protest against British Coal's drastic pit closure plan.

After Conservative MPs threatened defeat for the government on the closures when the House of Commons returns next week, the prime minister signalled a second olive branch to his critics by promising a new package of training measures for the 31,000 miners facing unemployment.

But as some of the government's own supporters privately

politics since the late 1970s.

In a stark warning of the task the government faces to head off a revolt over pit closures in Wednesday's coal debate, Sir Marcus Fox, a barometer of backbench opinion in his role as chairman of the 1922 committee of Conservative MPs, said the plan's scale was "unacceptable" and had "incensed" colleagues.

With their anxieties over the economy only partly cheered by the rate cut, the number of Tory MPs publicly questioning the coal proposals easily exceeds the 11 needed to overturn the government's Commons majority of 31 - and some rebels were last night predicting victory.

In Birmingham last night, Mr Major ruled out a reprieve for the threatened pits, justifying the closure decision by saying "the fact was we simply could not ignore reality". He said stockpiles of unwanted coal had been costing the government £100m a

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month, a burden that was unsustainable when there was no prospect of the coal finding a market.

With the cabinet committed to cuts in public spending programmes which are likely to lead to further large-scale redundancies in the defence and construction industries, senior ministers predicted a series of damaging backbench revolts by Tory MPs over coming weeks and months.

Mr Michael Heseltine, trade and industry secretary, will face the 1922 committee before Wednesday's debate in what could prove a stormy confrontation.

But last night he said: "We are going to fight our way through as any Conservative government in the past would have done." Other cabinet ministers used speeches to try to justify the closure announcement.

Labour plans to introduce a motion to attract maximum Tory support. "We will be doing everything possible for those Tory MPs who believe that the government have got it wrong to record that view on Wednesday," said Mr Robin Cook, the party's trade and industry spokesman. The aim was not to bring down the gov-

ernment but to save the coal industry, he said.

Labour and the Liberal Democrats have both launched national campaigns to save pits with Mr John Smith, Labour's leader, saying, "the government is alone in failing to appreciate the calamity they have caused".

The crisis of confidence around the handling of the decision to shut 31 of British Coal's 50 pits in order to pave the way for the industry's privatisation overshadowed the EC summit hosted by Mr Major in Birmingham.

Downing Street added to the confusion around what ministers acknowledged as a public relations disaster by issuing a third version of which members of the cabinet had been told in advance of the closures announcement.

Betraying the apparent haste with which the plans were drawn up and agreed, Mr David Hunt, Welsh secretary, last night said he had been "surprised" by Brit-

ish Coal's decision to close the Point of Ayr pit in Wales. He has asked for clarification and further information from them.

In Birmingham, Mr Major said the interest rate cut was fully justified in terms of the government's commitment to bring down inflation. But his emphasis on his concern to help "families and industry" provided acknowledgement of the damage done by the closures announcement.

Despite the Treasury's justification of the rate cut, there was a suspicion that its timing had been dictated by the mounting political crisis. Mr Gordon Brown, shadow chancellor, said the cut resulted largely from the Tories' "factional disputes".

Tory backbenchers publicly welcomed the move but it failed to stop private anxieties of many over the lack of a clear economic strategy since Britain's withdrawal from the European exchange rate mechanism.

European leaders pledge to make EC more open

By Lionel Barber,
David Gardner and
Robert Mauthner in Birmingham

EUROPEAN Community leaders last night pledged to make the EC more open and democratic to restore public confidence in the Maastricht treaty.

In an effort to win popular and parliamentary support for ratification of the treaty in the UK and Denmark, the heads of government issued an unusually concise blueprint for reforming the way the Community runs its affairs.

But the one-day summit in Birmingham, called by Mr John Major to address last month's crisis in the money markets, was overshadowed by Britain's increasingly serious political crisis.

Although some European officials said the UK move would hasten the development of a "two-tier" Europe, the draft declaration explicitly rules out an "inner core" of stronger EC economies and more federally minded countries moving at a faster pace to political and monetary union. Chancellor Helmut Kohl of Germany said that everybody



Overcoming doubt: John Major at the summit, which pledged to make the EC more democratic. Photograph, Tony Andrews

RHM plans split to fight bid

By Maggie Urry

RANKS Hovis McDougall, the UK milling, baking and grocery products group facing a £790m cash bid from Hanson, the Anglo-US industrial conglomerate, yesterday announced plans to split itself into three companies.

Mr Stanley Metcalfe, RHM chairman, said the demerger plan was "the most effective way of delivering the value that is within the group to RHM shareholders" and would give them an alternative to the Hanson offer.

RHM shareholders would receive shares in each of three companies: a milling and baking group, including bread brands such as Hovis and Mothers Pride, as well as Federal Bakeries, which RHM bought yesterday from Dalgety, the food group, for £28m.

A grocery products company, including Bisto gravy mixes, Paxo stuffing, Robertson's jams, Keiller and Golden Shred marmalade, Sharwoods Indian and

Chinese foods, and Saxa salt.

A cake manufacturer, including the Mr Kipling brand. Mr Metcalfe said that rather than Hanson selling parts of the business for more than it had paid for the group, RHM's own shareholders should benefit. He acknowledged that the demerged businesses could be taken over.

RHM's board had been concerned for months about the fall in its share price, which reached a low of 185p in mid-September. Mr Metcalfe said. Various options had been considered to address the fall before Hanson bid.

"Whilst it may be true that Lord Hanson [Hanson's chairman] has provided a stimulus for these proposals, I would not wish to dent his modesty by overstating that point," he said.

Lord Hanson responded by saying: "Modesty undented, I continue to believe that our cash offer fully values RHM."

Mr Metcalfe said the demerger would reward shareholders for their loyalty on previous bid

occasions. The group turned down an offer of 485p a share in 1988. Lord Hanson countered that "since 1988 this loyalty has cost shareholders half the value of their investment".

It echoes the step taken by Imperial Chemical Industries in July when it said it would split into two companies. Hanson had taken a small stake in ICI last year and although it did not bid, ICI was put under pressure to improve its performance.

BAT Industries, the tobacco and financial services group, demerged its retailing and paper-making subsidiaries after Sir James Goldsmith threatened an "unbundling" bid.

Lord Hanson said the stock market's reaction to RHM's announcement "bears out our view that there is no added value in these proposals". RHM shares rose 5p to 246p, 25p above Hanson's cash offer.

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Mixed reception given to government's move

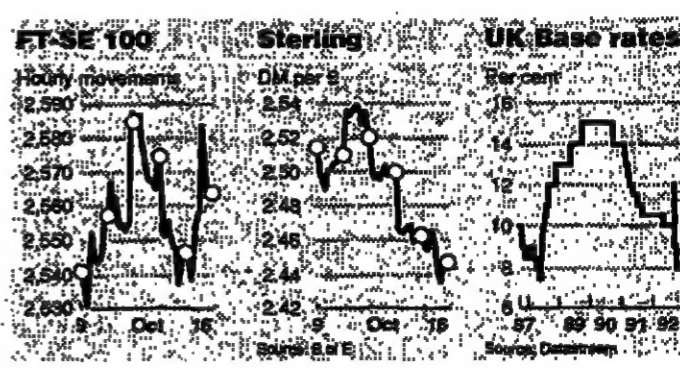
By Peter Marsh and
Scheherazade Daneshkhu

THE BRITISH government acted yesterday to head off a further slide in economic and political confidence by announcing a 1 percentage point cut in interest rates.

The reduction to 8 per cent is likely to lead to lower home loans for most of Britain's 10m mortgage-holders and was generally applauded in industry, although many executives said more reductions were needed to get the economy moving.

On financial markets, the announcement had a grudging reception, on the grounds that the move smacked of a hasty response by the government to political pressures caused by mounting job losses and general economic gloom.

The move to the UK's lowest base rates since mid-1988 was signalled at around noon when the Bank of England lowered the rates at which it lends to the banking system. This was followed quickly by commercial banks reducing their base lend-



ing rates from 9 per cent to 8 per cent.

Mr Norman Lamont, the chancellor of the exchequer, said the decision to cut rates was "fully consistent" with the objective of lower inflation. He said all the recent evidence in both the UK and other countries was that "disinflationary forces remain strong and confidence weak".

He added: "Provided cost and price inflation are kept firmly under control, British industry can look forward with confidence to a pick-up in domestic and overseas sales."

Three of the UK's biggest mortgage lenders - Abbey National, National Provincial and Northern Rock - announced cuts in mortgage rates of up to 1/4 percentage point to 9.25 per cent. Other lenders are expected to follow soon, although few are likely to pass on the full 1-point cut.

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NEWS: THE BIRMINGHAM SUMMIT

■ French take tough line on farm trade talks ■ EC leaders try to overcome popular scepticism on Maastricht treaty

France sees dollar rate as block to Gatt

By David Gardner

FRANCE yesterday argued that a Uruguay Round world trade agreement could not be concluded until the European Community and the US factored into their negotiations the effects of the devalued dollar on farm trade, the main obstacle to a deal.

The fall in the dollar has been a formidable stimulus to American exports, said Ms Elizabeth Guigou, French minister for Europe, adding that "we cannot negotiate trade in abstraction from exchange rates."

EC leaders at the summit, increasingly irritated with French obstruction of a Gatt agreement, nevertheless reaffirmed the Commission's mandate to conclude a deal soon on behalf of the Community.

The risk was that France's opposition to any cutback in its lucrative exports of subsidised cereals might unravel those agreements on farm trade reached in EC-US talks at the beginning of this week, conducted by senior Commission officials.

These agreements forced French officials to admit privately this week that this May's radical reform of the Common Agricultural Policy (CAP) - the underpinning of the Gatt farm talks - would not work or be adhered to.

The CAP reform, which France, along with its partners, signed up to, commits the EC to deeper cuts on subsidised food exports than the EC would have to undertake under the worst outcome of the Gatt negotiations. French officials, however, have made clear in private that the powerful Paris agriculture bureaucracy does not take the CAP reform projections seriously.

Under the revamped CAP, EC cereals production would fall from 180m tonnes to 164m tonnes, with subsidised exports falling from 33m tonnes to 18m tonnes over three years. The maximum Gatt commitment of a cut of 24 per cent in subsidised cereals exports would still allow the EC to export 23.5m tonnes in six years' time, substantially over the Gatt limit.

A senior French official at the European Commission, reconfirming on Thursday that these figures remain accurate, explained the inconsistency in France's position with the remark that "it

is an emotional question". He said, however, that the fall in the dollar was "the only serious problem to analyse". Dollar depreciation not only makes US exports more competitive, but because farm trade is denominated in dollars, adds to the cost of the CAP in the EC budget.

There is some sympathy for France's new line of defence on the dollar, indeed, US lobbyists opposed to the Uruguay Round settlement have also raised concerns over currency movements as they influence world trade. But there is no sympathy at all for France's obstruction of a Gatt deal which all its EC partners believe could inject desperately needed confidence into the depressed world economy.

"It is clear that France never really intended to comply with CAP reform," one senior Commission official said on Thursday.

"They don't care about the dollar," a German diplomat said angrily yesterday, "they're only worried about their internal political situation."

Nevertheless, he and other German officials acknowledged that Chancellor Helmut Kohl felt unable to bring more than discreet pressure to bear on Paris, Bonn's principal ally.

Mr John Major's UK government, even though the UK currently holds the presidency of the EC, is believed by many of its partners to be too weakened to force a conclusion to the Gatt talks. However, Mr Tristan Garel-Jones, minister of state for European affairs, said there could be no question of bringing pressure on anybody until the Commission came up with a package of negotiated agreements for member states to judge.

Mr Frans Andriessen, who yesterday brought the leaders up to date on the state of the Gatt negotiations, insisted that the Uruguay Round farm trade obligations were well within what had already been agreed on CAP reform, and would help conserve the EC farm regime, according to one of his aides.

Ms Guigou, however, urged the EC not to give in to US pressure. "We cannot accept threats," she said, referring to President George Bush's letter to the EC summit saying the US had "stretched as far as possible". In meeting EC concerns on farm trade and other still to be resolved negotiations on services and market access.



Miners protesting at the running down of Britain's coal industry march on the Birmingham summit

Deliberations cut little ice in Ladywood

David Marsh finds scant interest in the Community among the people of Birmingham

FOR the people of Ladywood, yesterday's summit might have been taking place on another planet. The sprawling 1960s council estate lies in the shadow of the glittering Birmingham International Convention Centre, the summit venue, and the 4,000 people who live there seemed more concerned about jobs and the next Giro cheque than the intricacies of the Maastricht treaty.

Mr Richard Tellow, 50, the vicar of St John's church, said Birmingham city council had ploughed considerable effort and money into the area since work started on the £180m convention centre in the late 1980s.

"The council has now started to take Ladywood seriously. There are all manner of schemes to help local people improve their situation." Yet he says the residents - 90 per cent in council

homes, roughly 70 per cent depending on housing benefit - have a strong sense of living in a divided nation.

The number of people genuinely in need calling at his door has increased in the last two years. The church runs a fund allowing the vicar to give them up to £2 at a time.

While the conference centre has improved Birmingham's image, it also exemplifies gaps in society, Mr Tellow says. "If people have the sense that others are doing better, this builds up a feeling of injustice which destroys a sense of community."

Mr Rod Parry, headteacher at the local junior school, felt the summit was "a bit of a farce". Governments had to steer between acting for the good of their own people and co-operating for the benefit of all. However, with economic times getting tougher, "they're

turning their backs on co-operation."

Ms Karen Smythe, who helps run the Ladywood Community Business Centre, says the spin-off of conference centre jobs for the estate has been small. Although some residents have found casual work helping with catering and security at £3.50 an hour, permanent employment in the centre has been hard to come by. As for the general feeling of local people, she comments, "I have not heard favourable responses. Most people say it's a load of politicians talking a load of rubbish."

This view is echoed by butcher Mr Michael Gourley. "It's irrelevant," he said. He advises the summiters to concentrate on achieving a breakthrough in the Gatt talks "to get things moving."

Ms Brenda Edwards, manageress of an off-licence, said the summit was a

complete waste of time. "They should get off their backsides and get the country on its feet." Despite the recession, alcohol sales were holding up reasonably well, she said. "People are drowning their sorrows. They get fed up being at home all day."

Shopkeeper Mr John Wainwright said the summit was an irritant. He thinks Britain should have stuck to the Commonwealth. "Now we have to turn to Europe. And I can't see them being very helpful. Whenever there's a contretemps, they kick you in the teeth. The French have got problems with farmers and the Germans have got us over a barrel on the money side."

Business is so bad he says he is thinking of closing down. Just one sign that, as they echo down to Ladywood, that yesterday's Birmingham declarations will have a distinctly hollow sound.

Contrite leaders seek to put a gloss on Maastricht

By Lionel Barber

EC leaders yesterday drew up a list of ideas aimed at selling the Maastricht treaty to the sceptical citizens of Europe.

In contrite mood, the heads of government acknowledged that the EC had failed to explain in simple language what it was doing and why.

The British presidency and the European Commission jointly presented proposals which combine pledges for more openness in EC affairs and a new emphasis on "subsidiarity" - devolving decision-making to the lowest appropriate level.

They include a mixture of window-dressing and repackaged versions of existing practice, emphasising, in the words of Prime Minister John Major's spokesman, "the human face of Maastricht".

The introduction of British-style Green Papers inviting public comment on proposed EC legislation. Though this is current practice, British officials said the UK wanted more formal, open procedures.

A plan by Mr Jacques Delors, Commission president, to send individual Commissioners to national parliaments to explain the Commission's annual work plans. Thus a Spaniard might appear before the House of Commons, and a Frenchman might appear before the Danish Folketing.

Britain would like partially to open up EC foreign ministers' sessions to the public, particularly during policy debates. This could be extended to meetings of other ministers, though some, including Mr Delors, are wary of letting publicly-conscious ministers loose before TV cameras.

In his presentation on subsidiarity, Mr Delors avoided examples of where the Commission had overstepped the mark. He opposed repealing existing legislation, declaring that the body of EC law and existing treaties - the *acquis communautaire* - must not be affected by the subsidiarity campaign.

Mr Delors argued that subsidiarity did not mean "cutting

back" the powers of the Commission. He also noted that the Commission was becoming less active now that laws for the creation of a single market were virtually complete.

The UK, which has criticised the Commission for poking unnecessarily into national nooks and crannies, yesterday agreed with Mr Delors that there should be no change in the institutional balance of power in Brussels.

This was viewed partly as a response to fears among smaller states that Britain, France and Germany were seeking to grab power at the expense of the Commission, their traditional protector.

Mr Delors intends to put forward 10-20 examples of Commission proposals which do not pass the test of subsidiarity. These could be scrapped as part of the Community's collective *mea culpa*.

But ministers warned yesterday that final decisions on new working procedures and criteria for subsidiarity would be held up until the EC summit in Edinburgh in December.

By Robert Mauthner

MR John Major urged his EC partners yesterday to give the Maastricht treaty a "human face" to make it more acceptable to the citizens of the Community.

The British prime minister said the aim of the summit was to put an end to the political and economic turbulence of the past few months, which had sown serious doubts in people's minds about future European integration.

The rejection of the Maastricht treaty by the Danish people in last June's referendum and the close result in last month's French referendum indicated deep and widespread concern about the treaty. The recent turbulence on the foreign exchange markets had fuelled these worries.

"We must send a clear signal to the citizens of Europe that we will listen to their worries and respond to their needs," Mr Major said. "We have to convince them that the process of European construction is in the interests of all of us,

despite the sacrifices it will sometimes require."

If the member governments failed to demonstrate to their citizens that their concerns were unfounded, then the Community must be prepared to change its ways and adapt to meet those concerns.

"Unless we have the people with us, our enterprise will not succeed."

Mr Major said that a clear declaration of political intent was required from the present meeting to reassure people that the Community would preserve national identities and the role of national parliaments, as well as becoming more democratic and open.

Among the steps proposed to achieve these aims are closer consultation between the Commission and member states, encouraging national parliaments to become more involved in Community affairs and thus to act as a bridge between the Brussels bureaucracy and its citizens, and providing more information to the public about the Community's activities.

At times, the discussions took on a distinctly frosty flavour. Mr Uffe Ellemann-Jensen, the Danish foreign minister, always something of a card, presented Mr Major with a Danish "Ingrid Maria" apple, which apparently does not meet EC export specifications because it is too small. "An apple a day keeps the Commission away," he quipped.

Meanwhile, Chancellor Helmut Kohl of Germany and Mr Gonzalez were talking about the Community's classification and demarcation of apricots, which prompted one bystander to ask, sotto voce: "Is Maastricht a lemon?"

President Francois Mitterrand of France did not miss much by turning up late for the meeting, as is his custom. And Mr Gonzalez appeared to sum up the mood of the occasion by remarking testily: "Given that these seats are so uncomfortable, this should be a short meeting." It was.

Robert Mauthner, David Gardner and Lionel Barber

Community agrees to hasten aid to former Yugoslavia

By Robert Mauthner

EUROPEAN Community leaders agreed last night to speed up their help to the hundreds of thousands of people in the former Yugoslavia facing death and starvation as winter approaches.

A declaration of intent to be adopted by the 12 heads of government underlined the importance of providing winter shelter and of ensuring the delivery of relief supplies. It said ECu213m (£167m) of EC aid was ready for immediate disbursement. This includes 120,000 tons of food, medicines, shelter and 40 trucks.

Member states said they would immediately provide further staff and resources, practical and financial, to strengthen the United Nations High Commissioner for Refugees' capacity in the region. The Community would also immediately establish a task force to support the efforts of UNHCR to deliver humanitarian aid.

In order to increase the effectiveness of such humanitarian assistance, the European Council called on the UNHCR to set up, next week, a meeting of technical experts on emergency aid and, next month, a stock-taking conference to assess the effectiveness of the operation and recommend further measures.

The heads of government called on other international donors to make a commensurate effort to support the UNHCR appeal and to speed up the delivery of aid already pledged.

The summit condemned "the continuing widespread violence and cruelty and the savage breaches of international humanitarian law" in the former Yugoslavia, which were

now the main constraint on the delivery of essential aid. It expressed its full support for the "unrelenting efforts" of Lord Owen and Mr Cyrus Vance to bring about an end to hostilities.

The summit also endorsed the recent UN Security Council resolutions on war crimes and the introduction of a "no-fly" zone in Bosnia. The leaders noted the recent undertaking by the Bosnian Serbs to remove their military aircraft into Serbia and agreed that in case of violations of the relevant UN resolution, the Security Council should be asked to consider urgently further measures to enforce the ban on military flights.

Stressing that international sanctions and the arms embargo against Serbia and Montenegro should be maintained, the leaders also stressed the need for measures to prevent the former Yugoslav republic of Macedonia from becoming the unintended victim of UN sanctions.

● Laura Silber adds from Belgrade: Mr Dobrica Cosic, the federal president of Yugoslavia, yesterday called for Serbian President Slobodan Milosevic's resignation, intensifying the pressure on the controversial socialist leader.

Mr Cosic, a writer who has wielded tremendous influence in Serbian politics, for the first time appears to have drawn battle lines between Serbia's ruling socialists and the federal government.

He followed his unprecedented criticism of Mr Milosevic with a state-of-the-nation address in which he lashed out at Serbian leaders for criticising his peace talks with Croatia's President Franjo Tudjman.

'A Community close to its citizens'

The following is the draft declaration from the Birmingham summit:

1. We reaffirm our commitment to the Maastricht Treaty. We need to make progress towards European Union if the Community is to remain an anchor of stability in a rapidly changing continent, building on its success over the last quarter of a century.

2. As a Community of democracies, we can only move forward with the support of citizens. We are determined to respond to the concerns raised in the recent public debate. We must:

● Demonstrate to our citizens the benefits of the Community and the Maastricht Treaty.

● Make the Community more open, to ensure a better informed public debate on its activities.

● Respect the history, culture and traditions of individual

nations, with a clearer understanding of what member states should do and what needs to be done by the Community.

● Make clear that citizenship of the union brings our citizens additional rights and protection without in any way taking the place of their national citizenship.

3. Foreign ministers will suggest ways, before the Edinburgh European Council, of opening up the work of the Community's institutions, including the possibility of some open council discussion - for example on future work programmes. We welcome the Commission's offer to consult more widely before proposing legislation. This will include consultation with the member states and a more systematic use of consultation documents (Green Papers). We ask the Commission to complete by early next year its work on

improving public access to the information available to it and to other Community institutions. We want Community legislation to become simpler and clearer.

4. We reaffirm that national parliaments should be more closely involved in the Community's activities. We shall discuss this with our parliaments. We welcome the Commission's readiness to respond positively to requests from national parliaments for explanations of its proposals. We welcome the growing contacts between national parliaments and the European parliament, and stress the European parliament's important role in the democratic life of the Community. This will be looked at again in 1996. We underline the importance we attach to the Conference of Parliaments and to the Committee of the Regions.

5. We reaffirm that decisions must be taken as closely as possible to the citizen. Centralisation is not the right road to greater unity. It is for each member state to decide how its power should be exercised domestically. The Community can only act where member states have given it the power to do so in the treaties. Action at the community level should happen only when indispensable. The Maastricht Treaty provides the right framework for this. Bringing to life this principle - "subsidiarity", or "nearness" as the Danes call it - is essential if the Community is to develop with the support of its citizens. We look forward to decisions at Edinburgh on the basis of reports on:

● Adapting the Council's procedures and practices - as the Commission for its part has already done - so that the principle becomes an integral part of the Community's decision-making, as the Maastricht

Treaty requires.

● Guidelines for applying the principle in practice, for instance by using the lightest possible form of legislation, with maximum freedom for member states on how best to achieve the objective in question. Community legislation must be implemented and enforced effectively, and without interfering unnecessarily in the daily life of our citizens.

● Progress on the review of past Community legislation with examples.

6. Making this principle work should be a priority for all the Community institutions without affecting the balance between them. We will seek an agreement about this with the European Parliament.

7. The Maastricht Treaty will bring direct benefits to individual citizens. All of us - Council, Commission and Parliament - must do more to make this clear.

SUMMIT DIARY

Not so much a summit, more a molehill

WITH subsidiarity the main dish on the summit menu, the prospects of firing the public's rapidly waning enthusiasm for the Maastricht treaty were always slim.

Even non-British journalists and delegates showed more interest in Mr John Major's domestic problems than in the agenda of a meeting billed from the outset as only an hors d'oeuvre to the full-scale European summit in Edinburgh at the end of the year.

The Birmingham Post, in spite of a laudable attempt to mark a great European occasion by printing its whole front page in French, could not suppress its normal journalistic instincts. "Assault on the summit," its headline screamed. "Confrontation avec les mineurs à Birmingham." That put things in perspective.

Mr Gas O'Donnell, the British prime minister's long-suffering spokesman, set the tone for the discussions on the Community's future by instituting two-speed press briefings: the first, in his capacity as spokesman for the UK presidency, on the discussions in the conference hall, followed immediately by a briefing on the latest breathtaking political and economic developments in Britain.

Widespread sympathy was expressed for the British prime minister in his troublesome task of trying to persuade the House of Commons to ratify the Maastricht treaty. But there were clearly limits to the altruism of the other leaders. Spain was prepared "to throw a life-belt to a drowning John Major, but not to jump in the water to save him," Mr Felipe Gonzalez, the Spanish prime minister, was overheard to say.

Indeed, the Spaniards, themselves facing dire financial difficulties as the result of the recent turbulence on the foreign exchange markets, were clearly in fatalistic mood in Birmingham. Normally, senior Spanish civil servants prepare a list of thorny issues for their prime minister attending a summit known as "the minefield." This time, perhaps because of the unfortunate connotation for Mr Major, they didn't bother.

At times, the discussions took on a distinctly frosty flavour. Mr Uffe Ellemann-Jensen, the Danish foreign minister, always something of a card, presented Mr Major with a Danish "Ingrid Maria" apple, which apparently does not meet EC export specifications because it is too small. "An apple a day keeps the Commission away," he quipped.

Meanwhile, Chancellor Helmut Kohl of Germany and Mr Gonzalez were talking about the Community's classification and demarcation of apricots, which prompted one bystander to ask, sotto voce: "Is Maastricht a lemon?"

President Francois Mitterrand of France did not miss much by turning up late for the meeting, as is his custom. And Mr Gonzalez appeared to sum up the mood of the occasion by remarking testily: "Given that these seats are so uncomfortable, this should be a short meeting." It was.

Robert Mauthner, David Gardner and Lionel Barber

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Noises on and noises off

WASHINGTON is the best of towns and it is the worst of towns. No town contains a greater distillation of political sophistication and no town can be as divorced from political reality. This week demonstrated the ultimate contrast.

All the noises in Washington are of men at war and jumping ship. If, as is still more likely than not, the effective administration of President George Bush has only 2% more weeks to run, its final days are not exactly filled with sweetness and light.

But, out here in the hinterland, if the questions posed by Joe and Mary Public to Messrs Bush, Clinton and Perot in Richmond, Virginia, on Thursday night are any guide, these noises might as well be on Mars. That does not make them less scurrying, or less important, but it does put them into perspective.

The Washington ear is tuned

into the fascinating fact that the Justice Department is investigating the Federal Bureau of Investigation, which is in turn investigating the Justice Department, of which the FBI is institutionally a part. The Central Intelligence Agency is also trading allegations with the Justice Department. All the fustilades have their origins in the Banco Nazionale del Lavoro (BNL) affair.

Similarly, Budget Director Richard Darman has done his best to blame Treasury Secretary Nicholas Brady and Mr Michael Boskin, chairman of the council of economic advisers, for making a mess of the president's tax policies. They have been a bit too polite to respond, but all has been revealed in exquisite detail by Bob Woodward in the Washington Post, the town organ.

Over at the State Department, now free of the hegemony of Mr James Baker, who

is occupied with running President Bush's re-election campaign, officials are speaking with delicious indiscretion over the circumstances of the presidential challenger Bill Clinton's private life. That the investigation should have been overseen by an unpopular political appointee named to her post at the behest of Mr John Sununu, the former White House chief of staff whom all Washington loves to hate now that he is out, is merely an explanation.

Nobody, it seems, had the will to restore order. Not Mr Baker, whose long-awaited speech - either on the economy or on why he thinks Mr Bush should be re-elected - remained undelivered.

Not Mr William Sessions, director of the FBI, now under fire for having dodged taxes, billing the government for private phone calls and other

hanging offences.

Not Attorney General William Barr, nor CIA chief Robert Gates, the first more concerned with denying a congressional request for yet another special prosecutor, the

difficulties, Helmut Kohl has said not a word.

Nor has British Prime Minister John Major displayed any public gratitude for the whole-scale lifting by the Republicans of last spring's Tory cam-

vice-president and assorted rottweillers called Matalin, Fitzwater and Dornan, but the president himself often seems as passive as his family dog, Millie, frequently seen dozing at the presidential feet.

Mr Bush does get rattled occasionally and still mis-speaks himself but, mostly, he stands on the dignity of being president. He applauded Mr Quayle for the savagery of his debate onslaught this week, but this was precisely the reverse of his own near politeness on Sunday. Having been set up by Mr Quayle for the Thursday round, he barely raised his voice.

But the critical factor differentiating Washington from the great unwashed was that he was never invited to. Though Mr Quayle would have taken any opportunity, no matter how thin, to impugn Mr Clinton, Mr Bush did not. He answered the questions put to

him, less well than Mr Clinton and less entertainingly than Mr Perot, but he answered them.

Only once in 90 minutes were there even allusions to Vietnam, Moscow, trust, character, untruthfulness or all the other things that Washington thinks he must make stick in order to retain the presidency. On the other side, yet again the names of Iran and Iraq, let alone a certain subsidiary of an Italian bank, never crossed a questioner's lips.

The Washington conclusion is that there is no iron in Mr Bush's soul. The country may well also be about to vote him out, but not because he lacks iron or any other vitamin that the Man Who Eats Democrats For Breakfast, it is because he has run out of ideas on the real problems of real people. He ought to be here; at least the tide comes in and out.

Administration takes economic pummelling

By Michael Prowse
in Washington

THE Bush administration underwent an economic pummelling yesterday as official figures showed a surge in the trade deficit to \$3bn in August, the biggest shortfall for two years, and a fall in industrial production in September for the second month running.

An unexpected slump in exports, which fell 5 per cent in August, was the main cause of the rise in the trade deficit, the Commerce Department said. The production figures confirmed the weakness of the US economy, which some analysts believe is teetering on the brink of a "triple dip" recession.

The slide in exports, meanwhile, indicated that the positive impact on US trade of a weak dollar is now outweighed by the contractionary effects of an increasingly serious global economic slowdown.

The export decline was especially embarrassing for President George Bush, who depicted exports as a route to economic salvation in his Thursday night debate with presidential contenders, Mr Bill Clinton and Mr Ross Perot.

"The thing that has saved us in this global economic slowdown has been our exports, and what I am trying to do is increase our exports," Mr Bush said.

In financial markets, bond prices fell, partly on rumours that Mr Clinton is planning an immediate fiscal stimulus if elected on November 3.

The Los Angeles Times reported that Mr Clinton had asked senior economic aides to examine ways to accelerate federal spending on public works and expand a planned investment tax credit.

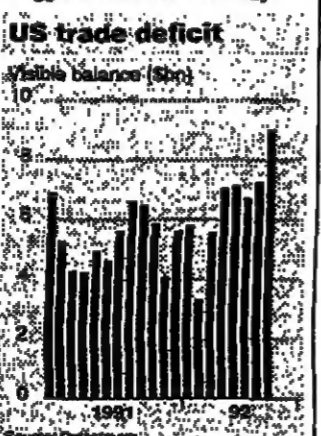
Some analysts fear that a short-term fiscal stimulus would put upward pressure on long-bond yields even if balanced by fresh proposals for budget retrenchment in the medium-term.

The \$3bn trade deficit was far higher than expected by

analysts. The main cause was a broadly-based decline in exports, which fell \$2.3bn to \$35.5bn. This was only partially offset by a \$0.6bn fall in imports to \$44.5bn, reflecting weak US consumer demand.

Ms Barbara Franklin, the commerce secretary, put a brave face on the figures, noting that monthly figures were volatile and that US exports to developing countries had been strong this year.

However, the trade deficit for the first eight months of the year was \$51.9bn, more than 20 per cent higher than in the same period last year, despite a sluggish domestic economy.



The Federal Reserve said industrial production fell 0.2 per cent last month, following a 0.4 per cent decline in August. The declines were broadly-based, with significant falls in defence and space equipment, construction supplies and durable materials.

Manufacturing output fell 0.4 per cent with durable goods production down 0.7 per cent. Capacity utilisation in manufacturing fell to 77.2 per cent, a full percentage point drop since May.

The production figures were the weakest since last winter when the economy was experiencing a second economic dip. While not necessarily implying a contraction of the whole economy, they indicate the sluggish growth of the summer months is petering out.

Republicans see time to break into Clinton's lead

By George Graham in Washington

REPUBLICAN campaigners claimed yesterday that they still have time to break into Governor Bill Clinton's commanding polling lead before the US presidential election on November 3, after President George Bush once again failed to inflict any appreciable damage on his Democratic rival in Thursday night's debate.

"We've got over two weeks. That's a long time in politics," said Vice-president Dan Quayle.

But Mr Bush appeared more resigned than his ebullient running mate, all but conceding in Thursday's debate with Mr Clinton and Mr Ross Perot that he should have handed over the reins to another candidate.

"I think if Barbara Bush were running this year she'd be elected, but it's too late," he said.

Many Republicans have been desperately urging Mr Bush to take his gloves off in his assault on Mr Clinton, emulating Mr Quayle, who in his debate earlier this week with Senator

Al Gore, the Democratic vice-presidential candidate, relentlessly attacked Mr Clinton's policies, personality and integrity.

If Mr Bush had any plans to follow this advice, he was quickly cut off by the audience of 200 uncommitted voters who had been selected to ask the questions in this second of three encounters between the three main candidates.

Although he embarked briefly on what has become known as "the character issue", criticising Governor

Clinton as "someone who demonstrates and organises demonstrations in a foreign land when his country is at war, Mr Bush appeared quickly to decide that this would win him no friends in the audience.

"The amount of time the candidates have spent in this campaign trashing their opponents' character and their programmes is depressingly large," one questioner complained.

Mr Perot, who stole the show at the first debate last Sunday with his good humour and folksy phrasing, once

again managed the best one-liners, but appeared to make no headway in convincing undecided voters that he might be a serious presidential candidate.

Early polling suggested that Thursday's debate had little effect on voting intentions, and there are few indications that the final debate, on Monday night, will do any more to dent Mr Clinton's lead. He is comfortably ahead in 26 states - already enough to ensure victory - and holds the advantage over Mr Bush in 12 more.

Senate hearings on Clinton files probe

THE Senate Foreign Relations Committee said yesterday it would hold a hearing on charges that the State Department used improper procedures trying to get files about Democratic presidential nominee Bill Clinton, Reuter reports from Washington.

The committee, which is controlled by Democrats, called acting secretary of state Lawrence Eagleburger and Elizabeth Tamm, an assistant secretary for consular affairs, to

testify at the hearing on Monday afternoon.

The department said on Thursday some of its employees had violated procedures in searching for Mr Clinton's passport and citizenship files at US embassies in London and Oslo.

Democrats have accused the Republicans of a politically motivated campaign to dig up damaging information on Mr Clinton, who is leading Mr Bush in public opinion polls.

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NEWS: INTERNATIONAL



Moving aside: members of the old guard who have retired include, from left, Yang Shangkun, Qin Jiwei, Wu Xueqian and Wan Li

Communist party seeking to present younger image to the people

Shake-out in China's leadership

By Simon Holberton
in Beijing

A BIG shake-up of China's leadership is in progress following the retirement of more than half the Communist party's politburo - the country's leading decision-making body.

Wen Wei Po, a pro-Beijing newspaper in Hong Kong, yesterday reported that eight of the 14 members of the politburo, including President Yang Shangkun, 85, and defence minister Qin Jiwei, 78, had tendered their resignations during the party's 14th congress, due to end tomorrow.

The newspaper, which generally reflects Beijing's point of view, was silent on who would

replace the eight. There have, however, been persistent reports that the party wants to present a younger image to the Chinese people as well as to the world at large.

Wen Wei Po indicated that old age was the reason for the eight to retire. But it said the top "leadership level and the presidium" had given a positive evaluation of the eight's "noble character and sterling integrity".

A front-page commentary in yesterday's People's Daily, the official newspaper of the party, prepared the wider party for a change at the top. It said:

"With the passing of time, quite a few old comrades are getting advanced in age and

finding it hard to shoulder their heavy workload."

In addition to Yang and Qin it named Wan Li, the 76-year-old head of the National People's Congress, or parliament; Song Ping, 75; Yao Yilin, 76; Wu Xueqian, 71; Li Ximing, 68; and Yang Ruda, 66. Song and Yao are on the politburo's all-powerful standing committee and are regarded as being on the hardline conservative wing of the party.

Their replacements, and the composition of the standing committee generally, are being watched closely by Beijing's western diplomatic corps to assess whether Deng Xiaoping, 88 and the nation's pre-eminent leader, has been able to

increase the number of pro-economic reformers on the standing committee.

This week the party embraced a radical, market-oriented reform programme which envisages the introduction of free markets and the restructuring of the country's ailing state industries. It turned its face, however, against any form of political reform, flatly ruling out "a western, multi-party, parliamentary system".

The politburo is expected to be expanded from its previous complement of 14 to more than 20 people. The expanded number is expected to allow greater representation by provincial party bosses, including those

of Shanghai, Guangdong, Tianjin, and Shandong, in addition to Beijing.

These provinces have been the engine of Chinese economic growth and their power has increased significantly. At the same time, analysts said, the inclusion of more provincial party bosses on the politburo would bring them further into the policy orbit of Beijing, from which they have been straying recently.

The party congress is expected to close tomorrow, when a new central committee will be appointed. It in turn will appoint the politburo and its standing committee, which might be announced at the same time or on Monday.

Pretoria's amnesty bill defies the ANC

By Patti Waldmeir
in Cape Town

THE South African government yesterday tabled a controversial bill in parliament which would allow it to grant amnesty and indemnity from prosecution to political criminals, including members of the state security forces.

The bill, which has been opposed by the African National Congress (ANC), could prove a further obstacle to progress in talks on a new constitution.

The ANC opposes the bill because it will allow President F.W. de Klerk to indemnify from future prosecution state officials who committed crimes (including political assassinations) during the apartheid era without either trying them for their crimes or even disclosing the deeds publicly.

ANC officials have said they support the granting of indemnity, or amnesty to state officials already serving sentences, but only if such actions are taken by a multi-racial interim government and not unilaterally by Pretoria, and only if there is full public disclosure of the crimes for which indemnity is granted. Under yesterday's bill, disclosure is at the discretion of the president.

Justice Minister Kobi Coetsee made clear yesterday that the government intended to proceed immediately with granting indemnity to all those who committed political crimes, from any party or from the state. He said the legislation was in line with an earlier law which allowed ANC members to receive indemnity from prosecution without disclosing their crimes publicly.

The president will have the final word on such indemnities. He will be advised by a panel including at least one judge, but all the panel's members will be appointed by him. The ANC has said it would revoke any indemnities granted unilaterally by Pretoria, and repeal amnesty legislation, if it came to power in multi-racial elections.

Mr Coetsee was at pains to stress that yesterday's law was not a general amnesty, as had been feared by the ANC, because the draft law does not automatically absolve state agents of responsibility for apartheid crimes and requires them to apply for indemnity from prosecution for offences (although individuals can apply for indemnity for categories of offence rather than specific offences).

But Mr Tony Leon, the justice spokesman for the official opposition, the liberal Democratic party, dismissed this argument, saying the bill was "a general amnesty by another name".

Angolan rivals near election compromise

By Julian Ozanne in Luanda

THE TWO sides in Angola's political crisis were moving towards a compromise yesterday, easing fears of a return to civil war.

Details of the deal, based on an interim government of national unity pending a second-round runoff of presidential elections, will be hammered out in a meeting in the next 48 hours between President José Eduardo dos Santos and Mr Jonas Savimbi, leader of the Unita rebel movement.

The initiative results from intense diplomatic activity by South Africa, the United Nations and the US and follows the release of election returns showing Mr dos Santos had failed to secure the 50 per cent majority to avoid a runoff.

Final official results of the country's first democratic elections will be published this morning and are expected to show Mr dos Santos has won 49.5 per cent of the vote against 40.6 per cent for Mr Savimbi. In the parliamentary poll the ruling MPLA won a decisive victory.

The results, which overturned earlier figures showing Mr dos Santos above the 50 per cent mark which would have secured him an outright win, came after a recount of the blank and void ballot papers. Mr Savimbi plunged Angola into crisis two weeks ago when he claimed the government had rigged the elections. He withdrew his generals from the newly unified Angolan Armed Forces and made veiled threats of a return to war.

An investigation into the

elections turned up evidence of irregularities and incompetence but failed to support Mr Savimbi's allegations of massive fraud.

Diplomats said yesterday the deal between the president and the guerrilla chief had pulled the country back from the brink of renewed conflict. But they also said it left the deeply divided country in limbo and uncertain of how Mr Savimbi would act in coming months.

"The government has bent over backwards to appease Mr Savimbi and keep the peace, but there is a limit to how much the MPLA can give into blackmail, especially when dealing with a man who appears to want power at any cost," a western observer said.

It is unlikely a second round of presidential elections can be organised within the 30-day period laid down by the electoral laws, and Unita is certain to demand that the UN plays a bigger role in fresh elections.

Unita officials and Mr Pék Botha, South Africa's foreign minister, have also said the UN, not the government, must control the election machinery for fresh polls and must deploy at least 5,000 observers, instead of the 400 people who monitored last month's elections.

The MPLA, for its part, is demanding that a more systematic demobilisation and demilitarisation of Unita's armed forces take place before the runoff.

This is unlikely to occur within six months, as the oncoming rains will make large parts of the country impassable.

Military leads modernisation march

THE first exhibit you see on entering the Museum of the People's Liberation Army is not a tank or missile, but four luxury cars.

Two of them - one of indeterminate manufacture and one Russian - were used by Chairman Mao Zedong; another, a Skoda, was used by Zhu De, one of China's great generals of the revolutionary civil war that brought the Communists to power in 1949. But the one that people queue up to be photographed next to is the open-roofed and Shanghai-produced Hongqi, or Red Flag, used by Deng Xiaoping in 1985 when he rode triumphantly through Tiananmen Square.

The use of cars may be odd, but along with the 20-foot statue of Mao in the foyer and giant portraits of Engels, Marx, Lenin and Stalin, they have a powerful symbolic importance. They underline to visitors the central fact that the military in China is inseparable from the Communist party.

Indeed, the primary duty of the 3.2m-member People's Liberation Army (PLA) is to defend the Communist party, a "duty" it performed in June 1989 when its tanks and infantry suppressed pro-democracy demonstrations in Tiananmen Square, in the process killing hundreds and possibly thousands of young people.

Defence of territorial China comes second and is followed by a number of other directives. The one of most practical

importance is to assist in the development of China through construction and production works.

It was the PLA which 12 years ago laid down the infrastructure for Shenzhen - China's most thriving "special economic zone" on the border with Hong Kong. In 1981, according to Chinese press reports, the PLA spent more than 25m work days working on 140 key projects in provincial China.

Modernisation of the PLA has been the prime aim of China's leadership since Deng in the mid-1970s accused the army of being bloated, lax, conceited, extravagant and inert. And, as the party is inseparable from the PLA, so too is the PLA's modernisation inseparable from the party's policy for the quasi-capitalist development of the country.

"The faster China develops its economy, carries out reform and opens its door to the rest of the world, the more necessary it is to strengthen national defence," according to Chi Haotian, PLA chief of staff.

This view was developed in the same newspaper by General Liu Huaqing, vice chairman of the Central Military Commission and the man likely to be

appointed to the highest level of the party, its politburo.

"The modernisation of the military can be seen as a question of life and death," the People's Liberation Army Daily quoted him as saying. "Military modernisation does not just mean modernisation of weaponry, but without that nothing else is possible."

Gen Liu - a close associate of Deng since the 1940s - has spent much of his career with the Chinese navy, developing it from a force which provided coastal defence to one with something near long-distance capability.

Western military analysts say there are still weaknesses in its ability to project Chinese power in the region - air support is poor, as is the navy's ability to defend itself from air attack - but they respect the intelligence with which the modernisation of the navy has progressed.

Weaknesses or not, the growth of the navy - which consists of 92 tactical submarines, one nuclear submarine, 19 destroyers and 37 frigates - has worried China's neighbours. Its interest in buying a Russian aircraft carrier from Ukraine (now on hold, western analysts

believe) has alarmed Japan and caused concern in the Philippines, Vietnam and Malaysia, which all, along with China, lay claim to the Spratly Islands in the South China Sea.

Gen Liu is expected to use the same energy he devoted to the navy in modernising the army and the air force; the latter uses dated technology, although military analysts say it has upgraded its air defence capability with the acquisition of at least 24 SU-27 "Flanker" combat aircraft from Russia. The army is still over-manned and poorly equipped, trained and led. It is essentially a peasant army and represents the greatest challenge to China's military planners.

But the road to modernisation is long. To upgrade quickly China would have to import western armaments, laying it open to dependence on ideological foes and incurring huge costs which it is unable to bear.

China's military leaders appear to have decided instead on having a smaller standing army that is better educated, trained and led. Modernising equipment will come from selective foreign purchases, which will then be analysed in China and, if possible, copied.

Gen Liu is at 76 not a young man; it is anyone's guess how long he will have to oversee the modernisation effort. However, if he succeeds, he may find that his staff car will join those of Mao, Zhu and Deng in the PLA museum.

NEWS IN BRIEF

Quality award for Rank Xerox

RANK XEROX, the office equipment group, has become first winner of the European Quality Award - Europe's answer to the Malcolm Baldrige National Quality Award in the US, writes Paul Taylor. The award has been set up by the European Foundation for Quality Management to promote use of Total Quality Management (TQM) theory in European companies.

Rank Xerox was presented with the award in Madrid by King Juan Carlos. Mr Bernard Fournier, managing director, said: "This reflects the efforts of 28,000 Rank Xerox employees across Europe who, for eight years, have increased customer satisfaction and regained market share by employing Quality principles and practices."

The company was one of four nominees, each a winner of a European Quality Prize. The others are BOC Group's UK-based Special Gases business, Industrias del Ubiarra, the Spanish-based steel wire, cord and fibre company of Belgium's NV Bekaert group, and European subsidiaries of Milliken, the US textile manufacturer.

Accord on maternity pay

The European Community maternity directive, giving minimum protection to pregnant workers, has been agreed after weeks of wrangling, writes David Goodhart, Labour Editor. Italy, which was holding out for a better deal, agreed to abstain, which means the directive can be passed at a meeting on Monday.

The directive will improve protection only in a few countries, including Britain. Original generous maternity pay proposed by the European Commission was watered down to 14 weeks' pay at a level no lower than statutory sick pay. But the new deal also provides employment protection as soon as a woman starts work and two weeks' compulsory leave.

Fiat takes over Polish group

Fiat of Italy finally took over Poland's state-owned car manufacturer FSM yesterday under a deal with the Polish government. Reuter reports from Warsaw. The agreement ended doubts whether the biggest foreign investment in Poland would be completed after a two-month pay strike at FSM.

Swiss doubts on trade bloc

Nearly a quarter of Swiss voters are uncertain how to vote in a referendum in December on whether Switzerland should join the European Economic Area (EEA) trade bloc, according to a poll published yesterday. Reuter reports from Zurich. The survey, in the Berner Zeitung, showed 42 per cent would vote in favour, with 36 per cent against and 22 per cent undecided.

Rights activist from Guatemala wins Nobel prize

By Karen Fossil in Oslo
and agencies

MS RIGOBERTA Menchu Tum, the Guatemalan Indian and human rights activist, yesterday won the 1992 Nobel peace prize.

The Nobel committee said Ms Menchu, a 33-year-old Mayan, stood out "as a vivid symbol of peace and reconciliation across ethnic, cultural and social dividing lines, in her own country, on the American continent and in the world".

Ms Menchu is the ninth woman to win the Nobel peace prize. Detained Burmese opposition leader Aung San Suu Kyi won the award last year.

Mr Francis Sejersted, chairman of the Nobel committee, said the award to Ms Menchu - on the 500th anniversary of the arrival of Christopher Columbus in the new world - "was not a coincidence, but it was not the only factor" in the selection.

Ms Menchu said recently of the anniversary: "There is nothing to celebrate" for "the rights of the Indian people continue to be violated". She returned to Guatemala last week and has been travelling around the country speaking to indigenous groups and supporters.

It remained unclear last night whether she could go to Oslo on December 10 to receive the SKr6.5m (\$888,750) award, diploma and gold medal.

For Ms Menchu it has been a long, often tragic road to the Nobel peace prize.

Before she gained international recognition as a human rights activist she worked in the cotton fields of Guatemala and as a domestic servant for a wealthy family.

Her mother, father and brother were killed for their involvement in indigenous rights movements. Fear of suffering the same fate has forced her to live in self-imposed exile in Mexico City for 11 years. Ms Menchu said last week she would use the prize to set up a foundation in her father's memory.

Ms Menchu became an international figure when, in 1983, she published her biography "I, Rigoberta," detailing her experiences in Guatemala's polarised society.

In the book she told of how, during her time as a domestic servant for a rich family, she was expected to have sex with the family's sons and was fed worse than their dog.

"And they gave me a few beans and some hard tortillas. That hurt very much, that the dog had eaten very well and I didn't deserve the food the dog ate," she wrote.

"I, Rigoberta," now published in 10 languages, brought the plight of indigenous people to the attention of Mrs Danielle Mitterrand, wife of French President François Mitterrand, who became a strong Menchu supporter.

Mrs Mitterrand accompanied Ms Menchu to Guatemala last year when, for the first time in a decade, she returned home.

Ms Menchu now works with



Symbol of peace: Rigoberta Menchu Tum during a recent visit to Guatemala

the UN Working Group on Indigenous Populations and the International Indian Treaty Council and spends much of her time in Europe.

In 1988 she narrated the film When the Mountains Tremble, a powerful account of the struggles and suffering of her native Quiché people.

The committee said that in Ms Menchu's social and political work, "she has always

borne in mind that the long-term objective of the struggle is peace".

Mr Sejersted conceded that perhaps not all Ms Menchu's civil rights efforts were conducted peacefully, but as a whole the committee saw her work as contributing to the development of human rights in a peaceful manner.

"I hope one of the effects of the award will be a better

understanding of indigenous peoples in America and around the world," Mr Sejersted said.

Despite her international prominence, the Guatemalan government continues to treat Ms Menchu as a pariah. The military accuses her of belonging to the country's leftist guerrilla movement which has been fighting the government in a 30-year struggle that has killed 100,000 people.

Japanese win HK contract

By Simon Davies
in Hong Kong

A JAPANESE consortium has been awarded a HK\$1.6bn (\$123m) contract for airport-related infrastructure in Hong Kong, in spite of the continued deadlock between Britain and China in approving financing for the entire airport project.

Kumagai Gumi (Hong Kong), leading a consortium including Maeda, Yokogawa Bridge and Hitachi Zosen, submitted the lowest bid for the Kap Shui Mun bridge and Ma Wan viaduct project.

It is a combined rail and road structure which will ultimately link Chek Lap Kok airport on Lantau Island to the mainland via the world's second longest suspension bridge, the Tsing Ma bridge, which is being constructed by a consortium led by Trafalgar House of the UK.

The Japanese tender is for a fixed price and compares with the government's estimate of HK\$1.6bn for the project. Announcement of the award coincided with a press conference held by the Chinese side of the Sino-British Airport Committee in which it complained about the spiralling costs of the entire HK\$1.6bn project.

Chinese concerns, focusing on the margin between 1991 costs and current figures for the airport project, were dismissed by Hong Kong government officials as unproductive. But the arguments underlining the tense reception Governor Chris Patten is likely to receive when he arrives in Beijing on Wednesday.

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NEWS: INTERNATIONAL

UK worried about cost of delays to European fighter project

Spain seeks EFA postponement

By David White in London and Tom Burns in Madrid

SPAIN has told its partners in the European Fighter Aircraft (EFA) that production should be postponed "by some years" because of budget pressures and the changed strategic environment.

However, it said that it still wanted to pursue its collaboration with Britain, Germany and Italy on producing a joint aircraft.

The Italian government has also underlined the constraints

on committing new funds to the fighter.

The UK hopes to clarify the situation when defence ministers attend a meeting of Nato's nuclear planning group in Scotland next week.

Italy and Spain currently occupy the middle ground between Germany, which wants to scrap the current £20bn project in favour of a smaller collaborative fighter, and Britain, which wants to stick to the EFA design.

The four partners agreed in August to continue working on

prototypes but to put off further development contracts until reviews on industrial costs and military requirements were completed.

More than £5bn of the £8bn allocated to development has been spent.

The Spanish Defence Ministry said it wanted to extend the freeze on new contracts.

British officials accept that plans to bring the new fighter into service in 1998 have now become unrealistic. That schedule would require committing funds to set up produc-

tion around the middle of next year.

Although the initial sums involved would be relatively modest, this now appears difficult to achieve, with all four partners - including Britain - facing severe pressures on public spending.

Britain is concerned that further delays may add to the fighter's eventual cost. Under the current programme, production orders would be placed in 1995. Later production would add to the problems faced by British Aerospace in

filling the gap between the current Tornado programme and EFA.

Spain's Defence Ministry is facing a cut of almost 10 per cent in real terms in its 1993 spending, under a restrictive budget going through parliament.

"We remain interested in EFA for political, technological and military reasons but in the present economic climate we are literally giving the project all that we can and there is simply no more money available," the ministry said.

Yeltsin sets up council of republican leaders

By John Lloyd in Moscow

RUSSIAN President Boris Yeltsin yesterday proposed that the meeting of the full Russian parliament - the Congress of Peoples Deputies - be postponed from its scheduled date in December to next spring.

At the same time, he has created a new level of power, whose authority is unclear - a Council of Republican Leaders, bringing together the presidents of the autonomous republics and regions within Russia. The leaders, meeting in Moscow on Thursday, called for unity among the Russian peoples, and for decentralisation of powers to the republics.

The president warned of attempts to create "parallel structures of power", not just at regional level but also in the centre.

He cited the so-called National Salvation Front, made up of patriotic and nationalistic organisations, as a particular threat.

The proposal to delay the Congress, backed by republican leaders, is an effort to avoid the crisis which would result from the likely vote of no confidence in the government from the Congress deputies,



Yeltsin: warned against parallel power structures

ties, most of whom are against the economic reforms.

Mr Yeltsin said yesterday: "We will be able to strengthen the state, provide stability, ensure a transformation, only if we have a solid guarantee of the stability of the institutions

of power."

Speaking at a session of the Constitutional Commission, which he heads, the Russian president said the constitution must be carefully revised in order to be acceptable to all republics in Russia.

Germany moves to act on EC legislation

By Quentin Peel in Bonn

KEY amendments to Germany's constitution, granting both chambers of the national parliament sweeping powers to oversee and propose changes to draft legislation for the European Community, have been given the green light in Bonn.

The changes were approved by the joint constitutional commission, representing both Bundestag and Bundesrat, and all the political parties in the parliament.

The two parliamentary chambers can now insist that the German government

present all Community legislation to special EC committees - and that it must take the committees' views into account in its subsequent Brussels negotiations.

German parliamentarians believe the plan would give them even more powers to control Brussels' decision-making than those currently enjoyed by Britain and Denmark, which have hitherto been the two member states with the toughest controls.

The move represents a big shift in German thinking towards the EC, in favour of national control of European legislation, as practised in London and

Copenhagen, rather than multi-national control through the European Parliament.

"The constitutional commission is not entitled to issue directives... on strengthening the powers of the European Parliament, but it can ensure that the actions and policies of the German representative in Europe are subjected to more intensive parliamentary control," the commission announced yesterday.

The amendments would set up a European Union Committee of the directly elected German Bundestag, and a European chamber of the Bundesrat,

in which the 16 German federal states are represented.

German parliamentarians say their committees will be bound to back all measures promoting "democracy and federalism" in Europe, in line with the rest of the German constitution. The British and Danish EC oversight committees have tended rather to resist moves towards greater European integration.

The constitutional changes will eventually have to gain two-thirds support in both houses of parliament, but they already enjoy the necessary cross-party backing to do so.

Rome's labour law provokes dock strike

By Haig Simonian in Milan

ITALY'S 144 ports were yesterday paralysed at the start of a four-day strike by transport unions in protest at the government's decision to push through a new law abolishing their monopoly on dock labour.

The move to convert into law the previous bill on abolishing the closed shop and opening the way to greater private-sector participation in the ports followed action against Italy by the European Commission on competition grounds.

The Commission became involved in the long-running battle between dock unions and private-sector port operators after the latter protested to Brussels that the monopoly breached EC competition rules.

The festering conflict has periodically erupted in violence in Genoa, Italy's biggest port, where private-sector interests are being given greater flexibility in running dock activities. Separately, a subsidiary of the Fiat group is managing a huge new container facility at Voltri, west of Genoa, due to open next year.

Earlier this week, hundreds of self-employed lorry drivers drove through Genoa to demonstrate against the monopoly. Employers claim restrictive practices by dock unions, sometimes supported by left-wing local councils, have held back the development of Italy's ports, many of which are heavily in loss.

Transport unions claim the decision to convert the reform bill into a decree law, bypassing parliamentary debate, is undemocratic. However, support for their stand outside militant strongholds like Genoa is thought to be limited.

Mr Giancarlo Tesini, the transport minister, has urged unions to accept the need for greater competitiveness in the ports. The reforms involve a much bigger role for private-sector shippers and transport companies in running the ports, now dominated by state-controlled port authorities.

No switch for Italian television channels

By Robert Graham in Rome

THE Italian government has decided to leave unchanged for another year the structure of the television industry, split among the three state-controlled channels of RAI TV and the private concessions dominated by Mr Silvio Berlusconi's Fininvest media group.

The decision will allow time for a more measured assessment of the role of state television at a time of extreme financial uncertainty and political change.

The RAI is owned by IRI, the state holding company which in August became a joint stock company owned by the Treasury. This move has thrown into doubt both IRI's continued ownership of the RAI and its funding base. Some deputies are calling for the winding up of RAI or at least the sale of two channels.

These changes, combined with the discretised overt political control of the state television, are forcing a redefinition of the RAI's role. Until now RAI Uno, the main state channel, has been run by the Christian Democrats, RAI Due by the Socialists and RAI Tre by the former communist Party of the Democratic Left.

The structure reflected a wholly different political picture when the Christian Democrats and Socialists dominated the levers of institutional power and the communists were the party of opposition.

The April general elections and the corruption scandals of the past nine months have undermined the authority of the traditional parties. There is also a move for change from within RAI. In the past month RAI Uno journalists have passed a vote of no confidence against Mr Bruno Vespa, the Christian Democrat director of news.

This week the Amato government has put the squeeze on RAI by refusing requests for an increase in licence fees and the amount of time available for advertising slots.

Thank You....

...to the 21,103 readers of the Financial Times worldwide who completed our reader questionnaire recently.

The results produced a wealth of information about our readers; some we might have predicted, some we certainly did not.

We were not surprised to see that 48% (44%*) of you are company directors but we were intrigued (and gratified) to see the range of decision-making you cover: 38% are responsible for banking services, 30% for advertising, marketing and PR and 22% for executive recruitment.

When it comes to company purchases, 51% of you decide which computers to buy, 23% company vehicles and 22% business premises and sites. And you work for companies of all sizes: 20% for under ten employees, 15% for over 1,000 employees, for example.

Reflecting the FT's international coverage and readership, 79% of you are involved in your companies' international operations.

As you would expect, such positions of responsibility carry commensurate rewards: your salaries average £68,000 (£56,000), 60% (54%) of you have two or more cars, 56% (50%) a computer at home and 24% (19%) a camcorder.

But it's not all spending: 81% (86%) have invested in shares, and 70% (74%) have a bank or building society savings account. 27% of our Saturday readers have investments, excluding the main home, of over £250,000, and a second home.

You are an active group: not surprisingly given an average age of 45. Of the 78% who play sport, 48% go swimming, 21% jogging or running and 19% play tennis. Justification perhaps for the 92% who drink wine, 76% whisky and 58% champagne to recover from these exertions.

It is a fascinating and comprehensive picture which will be invaluable to us in planning the FT's future development.

Thank you once again to everyone who took the time to contribute.

* Figures in brackets are for the Saturday paper. The main figures quoted are for weekday readership.

No FT...no comment

Hill Samuel Base Rate

With effect from the start of business on Monday 19th October, 1992 and until further notice, Hill Samuel Bank's Base Rate is

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Jubilee Line cash call to 11 banks

By Robert Peston

LORD WAKEHAM, leader of the House of Lords, has urged the chairman of Lloyds and Barclays banks to persuade the 11 bankers to the troubled Canary Wharf development to make a no-strings cash contribution towards the cost of building the underground Jubilee Line extension.

The request is understood to be an important shift in the government's intentions towards the Jubilee Line extension. Up to now, bankers have feared that the government was happy for them to make an inadequate offer because that would have provided the Treasury with a convenient excuse to cancel the project and save public expenditure.

Sir John Quinton, chairman of Barclays, and Sir Jeremy Morse, chairman of Lloyds, were acting as representatives of Canary Wharf's 11 commercial banks in a meeting earlier this week with Lord Wakeham, who is chairing a government committee on London's docklands.

Lord Wakeham indicated that if the banks made the no-strings offer, the line would probably be built. A government source said yesterday that money had been allocated

under the public expenditure round for the Jubilee Line, conditional on the banks coming up with their share.

Bankers warned yesterday that the Jubilee Line extension to London's docklands may yet be scrapped, since it will be difficult to persuade all 11 banks, nine of which are foreign, to make a no-strings offer towards a UK transport project.

The banks have already offered £390m towards the Jubilee Line's £1.5bn costs. However, the first two payments totalling £98m are conditional on the government moving civil servants to Canary Wharf. The Treasury is adamant that the funds should not be conditional on any form of government support.

Canary Wharf's banks, which have lent £576m to the project, have to decide in the coming week whether they can make an unconditional offer of funds. One banker said yesterday that he was very doubtful whether all 11 could be persuaded to do so.

An offer is unlikely unless all banks participate. The banks have yet to decide whether there is a role in a revised offer for the European Investment Bank, which has a £100m Canary Wharf loan.



Gardener John Woodward prepares the grounds of Longhirst Hall near Morpeth, Northumberland, which is being converted into a £10m business training centre. The listed mansion is being refurbished by Northumberland Training and Enterprise Council and will open next year.

Rover unions back 7.3% 18-month deal

By Lisa Wood, Labour Staff

UNIONS at Rover have recommended acceptance of a two-stage 18-month pay deal worth a minimum 7.3 per cent which would take effect after the current pay freeze.

The six-month pay freeze for the UK carmaker's 34,000 workers was imposed last month. The first stage of the increase, if agreed, will take effect on May 1, instead of the company's normal November 1 settlement date.

The package illustrates the continuing downward pressure on private-sector pay, with settlements currently running at about 4 per cent. The government wants increases in public-sector pay - which are now rising faster than those in the private sector - depressed to about 2 per cent a year, its target for long-term inflation.

Pay talks at Rover lasted three days and both management and unions said the talks had gone "smoothly".

Mr Tony Woodley, national officer with the TGWU general union, described the package as "reasonable" for both sides.

He said there was no doubt that a guarantee of no compulsory redundancies agreed recently with Rover had played

an important part in negotiations. The job-security guarantee was made as part of the company's "new deal" reforms in working practices.

Under the latest pay agreement, pay would rise by 3.5 per cent, with a second 3.8 per cent increase from November 1993 for one year.

The package contains an inflation trigger - should inflation exceed 4 per cent next October employees would get a lump-sum payment of £150, equivalent to an extra 1.3 per cent for production-line workers who earn about £240 a week.

The complicated package would give some 5,000 skilled workers an additional 3 per cent, according to union negotiators.

Mr Woodley said the package contained 24 separate improvements including increased holiday entitlements.

The Rover pay freeze followed recent moves by Ford and Rolls-Royce to cut 2,500 jobs in the UK as the recession continues to take a heavy toll on the British motor industry.

The freeze includes directors and senior managers as well as shop-floor workers. Mr John Towers, group managing director, said it was necessary to "help protect the company from the worst consequences of the recession".

Ofwat fails to agree all price deals

OFWAT, the water industry regulator, said yesterday that it had failed to agree on next year's price rises with four of the 19 water companies which it had asked to restrain prices, Brownlow Maddox writes.

North West Water has asked Ofwat formally to reconsider its judgment. South West Water, South East Water and Three Valleys Water Services are still negotiating and have until December to reach agreement.

Two weeks ago Ofwat asked the 19 companies to hold back price increases by an average 2 percentage points below the level permitted by their licences.

Most of the companies that have reached agreement have persuaded Ofwat that the restraint should be between 0.5 and 1 point because of extra spending to meet environmental rules.

Stock Exchange delisting ruling

PROCEDURES followed by the London Stock Exchange when it delists companies do not need to be referred to the European Court of Justice, the Court of Appeal in London has ruled.

The ruling overturns a High Court decision in July under which the Exchange's interpretation of the EC's 1978 admissions directive was to have been referred to the European court. This followed an appeal by shareholders in Titagur, a Scottish-based furniture company.

Customs rules on VAT recovery

COMPANIES will no longer be able to recover VAT paid on fees to advisers for work on takeover bids or share issues, Customs and Excise has said.

The announcement follows a European Court of Justice ruling on the ability of holding companies to recover the tax involving Fyffes Investments Netherlands.

Lord Franks: academic and veteran of many committees

LORD FRANKS, who died this week at the age of 87, was one of the few remaining British figures whose career spanned the Second World War and the post-war reconstruction and who was still active in the 1980s - when he headed the review committee into British policy towards the Falkland Islands.

There was a time when no senior committee of inquiry could be formed without thinking of the possibility of Franks as chairman. His name also

came up whenever a top public job was on offer - whether director-general of the BBC, secretary-general of Nato, or the governorship of the Bank of England. Yet in spite of this pre-eminence in the world of affairs, he spent much of his time in universities.

Oliver Franks was born in 1905, the son of a clergyman. The protestant influence perhaps never left him. He was educated at Bristol Grammar School and Queen's College, Oxford, where he became a fellow

in philosophy. Academic might have held him for the rest of his life - he had spells at the universities of Chicago and Glasgow - had it not been

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for the outbreak of war. Franks was summoned to the Ministry of Supply and by 1945 was the permanent secretary there.

After the war he became provost of Queen's, but the call of public life was never far away.

Franks was active in the work that led to the formation of what is now the Organisation for Economic Co-operation and Development (OECD). In 1948 he was appointed British Ambassador to Washington.

In politics and life-style he was perhaps closer to Attlee than Churchill and in 1963 he returned to London where he became chairman of Lloyds Bank.

It is for his chairmanship of committees that he will be mostly remembered. When the

future of higher education was under scrutiny, Franks chaired an unofficial committee on Oxford which recommended widespread reforms and even considered the radical possibility of turning Oxford and Cambridge into entirely postgraduate institutions.

In the early 1970s, he led the committee on the Official Secrets Act which came down in favour of limiting secrecy and introducing a freedom of information act. The latter has not yet been implemented.

From 1962-76, Franks was Provost of Worcester College Oxford. Shortly before he took up the post, he had stood for the chancellorship of the university and in a famous election lost to Harold Macmillan. It was said that Macmillan would have been happy to reward him with the governorship of the Bank of England.

Figures like Franks - in so far as there were very many of them - were thought to have gone out under the premiership of the then Mrs Margaret

Thatcher, who disliked royal commissions and anything like them. Nevertheless, in the aftermath of the Falklands War it was to Franks that Mrs Thatcher turned for an investigation of the events that led up to it.

He produced a masterpiece of Civil Service prose which, closely read, was much more damning of British conduct than was generally realised. It is probably true that there is unlikely to be a public figure like Franks again.

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Major abandons policy for crisis management

MR JOHN MAJOR could not escape the painful irony. At last week's Conservative party conference he was pursued by journalists demanding to know how he would bridge the deep divisions in his party over Europe. As he set about that task at the Birmingham summit yesterday he was dogged by journalists asking that he was absorbed in the arcane intricacies of European decision-making when the coal closures threatened to push Britain's economy from recession into slump.

It was no use the prime minister crying foul. After its misadventure to shut down nearly a third of Britain's coal mines, the government faces the most turbulent period in British politics since the winter of discontent which brought down the Labour government in the late 1970s.

Belated realisation of that dismal prospect jolted Mr Major into ordering yesterday's cut of 1 percentage point in interest rates. But the government has yet to demonstrate that it has fundamental answers equal to the crisis.

The most startling development has been how the decision to shut down the pits crystallised discontent across a broad swathe of the Conservative party. As cabinet ministers admitted privately that they had simply failed to foresee the scale of the popular backlash against the closures, the fate of 30,000 miners replaced Europe as the lightning conductor for the deep disquiet among Tory MPs.

Governments are frequently accused of being callous about the fate of their citizens. They are used to being charged with incompetence when things go wrong. But, as one of the most

thoughtful of Mr Major's ministers admitted this week, when both charges can justifiably be levelled simultaneously, a government must be ready to acknowledge that it has lost its grip.

The minister might have added that something has gone terribly wrong when a Conservative government continues to allow Mr Arthur Scargill, leader of the NUM, to present himself as a credible representative of the popular mood.

Mr Major is not alone in the firing line. Mr Michael Heseltine, one of the most experienced ministers in the cabinet, has seen much of the gloss stripped from his reputation by the handling of the coal decision. Ministerial colleagues can scarcely believe that the trade and industry secretary was bounced by British Coal into bringing forward the announcement because of a

spate of leaks - particularly since many of those were traceable to government ministers.

No-one should doubt Mr Heseltine's capacity for recovery - but even his admirers were admitting that grand talk of a strategy to revive the manufacturing sector now had a distinctly hollow ring.

Mr Norman Lamont's apparent inability to foresee that an immediate shutdown of the pits would snuff out the remaining embers of hope for an end to the recession has reinforced the judgment of cabinet colleagues that the chancellor is living on borrowed time. Shunning those who he suspects of conspiring against him, Mr Lamont has the look of a beaten man.

The failure of those charged with presentation of government policy to provide a convincing explanation of how the pits decision was reached -

yesterday's announcement that Mr Heseltine had told most cabinet ministers on Tuesday only added to the confusion - has strengthened the impression that Mr Major's closest advisers are political amateurs.

It was not until the Tory press had subjected the government to more than 48 hours of sustained invective that Downing Street realised that there was some significance in the way ministers had decided to put another 30,000 people on the dole.

The cut in interest rates will ease some of the more immediate pressure at Westminster by detaching some recruits to the threatened backbench rebellion when Mr Major's debate the closures next week. But the blunt criticism yesterday from Mr

Lamont and his colleagues can now do no more than pray that the markets do not respond next week by sending the pound into free-fall.

costs might not be enough to prevent a defeat at the hands of the Opposition.

Lower borrowing costs carry with them a more serious risk. Yesterday's long Treasury justification for the relaxation of policy only reinforced the impression that the government had been panicked into the move by this week's critical headlines.

On Monday Mr Lamont, in his evidence to the Treasury select committee, stressed that the combination of sterling's devaluation and the 1 point cut in rates announced last month provided ample scope for economic recovery. Only one thing had changed by yesterday - the government's announcement of pit closures.

Mr Lamont and his colleagues can now do no more than pray that the markets do not respond next week by sending the pound into free-fall.

Putting rates up again would, in the words of one minister, be "unthinkable". But so too would be another substantial devaluation.

Some in the Tory party - and in the government - are drawing a still more dangerous conclusion. Their fear is that the vacuum at the heart of economic policy left by sterling's departure from the European exchange rate mechanism is being filled not by a rational assessment of priorities but by a series of reflex short-term responses to whatever happens to be the latest crisis. The reason d'être of economic policy for the past two years - the defeat of inflation - has been unceremoniously dropped in favour of crisis management.

Those in the cabinet who believe that sterling can and should be returned to the ERM after a decent interval are fearful that over the next few

months the government may once again throw away the prize of medium-term economic stability.

Next month Tory MPs will be asked to swallow the bitter medicine of deep cuts in public spending. Many more than 30,000 jobs may be put at risk. The question one minister was asking was whether Mr Lamont would then feel obliged to top another point off interest rates to make it palatable.

Mr Major is convinced that he will survive the storm with his economic and European policies intact if not unscathed. There is no tangible evidence of a serious threat to his leadership. But in recent weeks his government has looked like a bystander at the mercy of events. It cannot afford another mistake like this week's.

Philip Stephens

Lenders hold back from instant action

By Scheherazade Daneshkhu and Andrew Taylor

MOST building societies yesterday held back from an instant mortgage-rate cut after the base rate cut as house-builders, homeowners and estate agents tried to weigh up the consequences of a week which has seen interest rates lowered by a further percentage point and 30,000 miners' jobs announced.

Abbey National, the bank, National and Provincial, the eighth largest building society and Northern Rock, the 11th largest, all announced mortgage rate cuts to 9.25 per cent yesterday, with immediate effect for new borrowers and from December 1 for existing borrowers.

North of England Building Society said it was making available for some borrowers a rate of 8.35 per cent - its lowest for 20 years. Other lenders promised rate cuts that they would quantify later.

The prospect of a further reduction in mortgage interest rates would normally be expected to stimulate house sales and prices, but there was only a weak cheer when the Bank of England signalled the latest cut in base rates. House-builders say most people are more concerned about the possibility of losing their jobs than about saving a few pounds on mortgage bills.

Mr Neville Simms, chief executive of Tarmac, Britain's biggest housebuilder, said: "Any reduction in interest rates is welcome, but sales are unlikely to revive until people feel more confident about the economy and in particular

about whether they will have a job this time next year."

Mr David Holliday, president of the Housebuilders Federation, whose members build 90 per cent of the country's homes, said the latest cut was "a step in the right direction, but unlikely to stimulate an immediate recovery in the housing market".

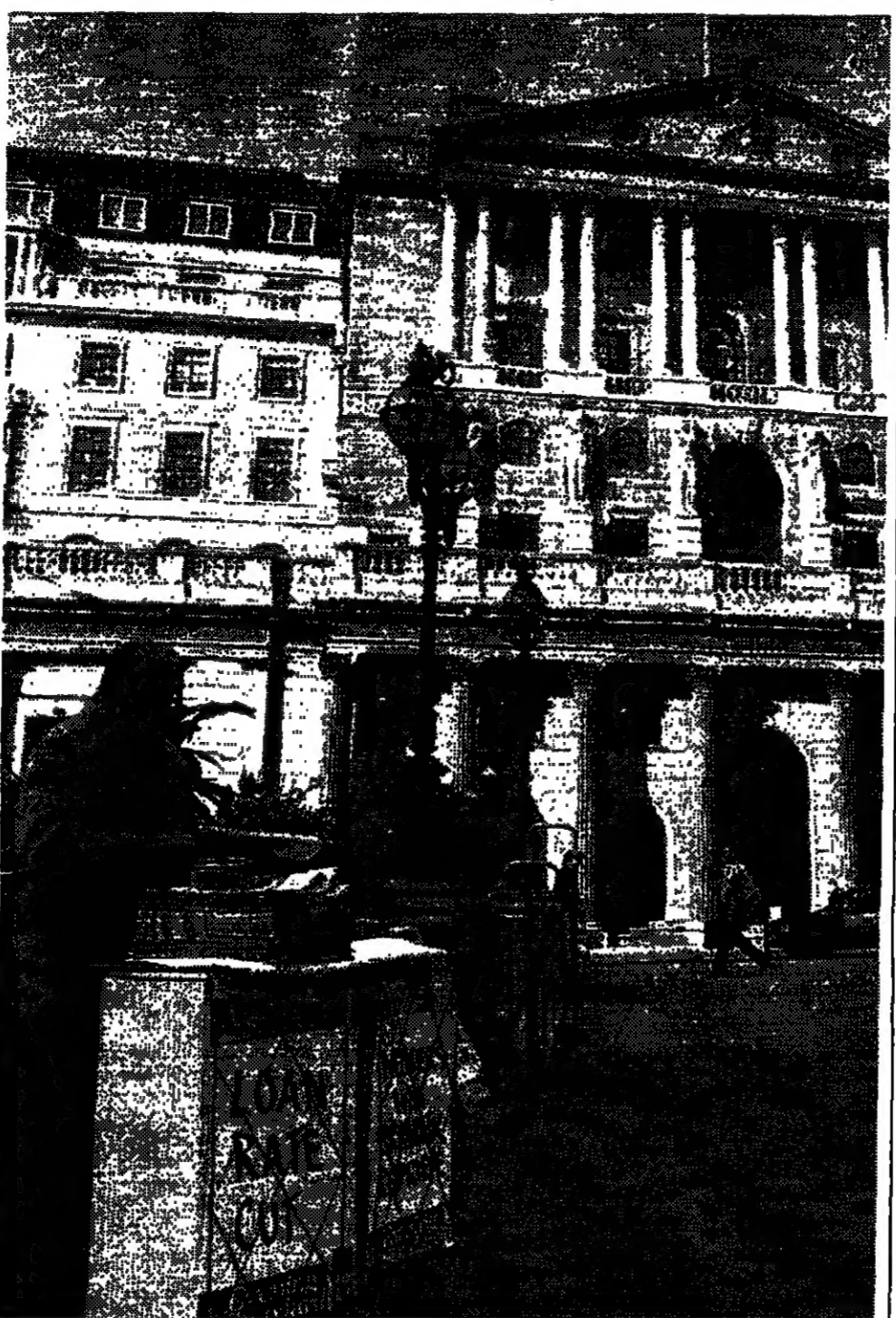
Abbey National, which cut its rates to 9.6 per cent for new borrowers on Tuesday, but postponed an earlier cut in its rates from November 1 to December 1 for existing borrowers, said the base rate cut was "better news than we were expecting".

The new 9.25 per cent rate applies to loans under £50,000. Rates for loans of £50,000 to £100,000, are 9.05 per cent and 8.85 per cent for loans over £100,000. These too apply to existing borrowers from December 1.

Halifax, the country's largest building society, promised that new mortgage rates would be announced soon and said its planned cut from 10.65 per cent to 9.99 per cent in response to the last base rate cut would still take effect for existing borrowers from November 1.

Nationwide, Woolwich, Bradford & Bingley and Britannia said they were considering their position. Alliance & Leicester said it would cut rates for existing borrowers on December 1 and announce the size of the cut next week.

Woolwich said the size of its planned drop in mortgage rates would have to take into account the needs of investors. The Big Four banks all said their mortgage rates were under review.



Behind the edifice: the Bank of England's 1 point rate cut had much to do with economic policy - and with the need to quell a threatening Tory backbench revolt after the pit closure proposals

Industrialists call for more of the same

By Michael Cassell, Business Correspondent

THE latest interest rate reduction was given a warm welcome by the business community last night, although there were renewed calls for additional measures to help end the recession.

While the Engineering Employers Federation warned that cheaper money might feed directly through into increased consumer spending, rather than into higher investment and increased exports, retailers said improved consumer confidence was essential.

Mr Brian Pittman, chief executive of Lloyds Bank, welcomed the interest rate cut but warned that it would not on its own lead to economic recovery. "It's no longer a problem of people lacking confidence. Businesses are paralysed by uncertainty", he added. "Ever since Black Wednesday there has been an increase in this uncertainty". He feared the country was locked in a "downward spiral" and warned of the risk of a "slump".

Sir Denys Henderson, chairman of Imperial Chemical Industries, joined industrialists in welcoming the reduction but said "still bolder" measures were needed.

Mr Ian McAllister, chairman and chief executive of Ford of Britain, said he understood the government's need to stage rates cuts in order not to "throw away" gains made in its anti-inflationary policy.

"We'd like to see more cuts. But they've got to be balanced against the effect on sterling and inflation," he added. Mr McAllister also called for

an increase in road-building and other capital investment programmes to give the construction and other industries a kickstart.

Mr Colin Hope, chairman of motor components group T & N and president of the Society of Motor Manufacturers and Traders, said the cut was "probably as much as the government can sensibly do at this time". More cuts were needed to improve all-round confidence.

The Confederation of British Industry described the cut as the move "business has been looking for", claiming the reduction was justified by the weakness of the economy and progress in reducing inflation. Mr Peter Morgan, director general of the Institute of Directors, said the chancellor had now "completed the interest rate action required" when the UK left the exchange rate mechanism. But the Federation of Small Businesses said it wanted rates down to 5 per cent.

Sir Malcolm Field, managing director of retailers W.H. Smith, welcomed the interest rate cut but said it was unlikely to make a significant difference. "It all helps but until such time as the housing market improves and people have more confidence then I do not believe it will be material," he said.

Mr John Randall, finance director of MFI, the UK's biggest furniture retailer, said he believed the interest rate weapon may now be of only limited use in stimulating consumer demand in the absence of other measures to restore growth in the economy.

Rebellion opens the way for Labour

By Ralph Atkins

THE REBELLION among Tory MPs over the British Coal closures accelerated yesterday - giving Labour a real chance of engineering a defeat for the government in next Wednesday's Commons debate.

The list of Conservatives publicly questioning, if not openly opposing, the decision already exceeds the 11 necessary to wipe out the government's 21-strong majority in the Commons.

It is not yet clear whether the extra help for miners announced last night by Mr John Major - coupled with strong lobbying expected this weekend by government business managers - will stop enough from abstaining or voting against the government next week.

The two most vociferous Tory opponents, Mrs Elizabeth Peacock (Bartley and Spennorth) and Mr Winston Churchill (Davyhulme) said they were looking to see the government overturned.

Fresh recruits yesterday who might yet defy the government whips include Mr David Tredinnick (Bosworth), who called for a "breathing space" before closures are implemented. He said some collieries could be bought out by miners and accused British Coal of trying to protect its monopoly. Mr Tredinnick is "reserving his position" on Wednesday's vote.

Mr James Cran (Beverly) said the law of protest from his constituents had been unprecedented. "In the light of what public opinion is clearly showing, I hope that the government has got an open mind," he said.

Mr James Fawcett (Rugby and Kenilworth) said: "The speed with which these proposals have been brought forward is precipitous."

Other Tories who have objected in varying degrees to the closure include Mr William Cash (Stafford), Mr David Nicholson (Taunton), Sir Rhodes Boyson (Brent North), Mr John Carlisle (Luton North), Sir Tessa Taylor (Southend East), Mr David Rennie (Staffordshire Moorlands), Mr John Riffen (Shropshire North), Mr Nicholas Winterton (Macclesfield), Mrs Ann Winterton (Congleton) and Mr Michael Clark (Rochford).

PSBR exceeds forecasts by £1bn

By Peter Marsh, Economics Staff

GOVERNMENT borrowing last month came to £40n, roughly £1bn higher than expected, as the recession cut tax income and pushed up spending in areas such as social security payments.

The public sector borrowing requirement for the first six months of the current financial year came to £18.4bn, compared with £10.8bn in the corresponding period last year.

Excluding privatisation proceeds of £1.4bn, the PSBR for the month came to £39.4bn, one of the highest monthly totals on record. The privatisation receipts came from part payment from investors who have taken a stake in the regional electricity companies.

News of the worsening state of public finances underlines the probability that the 1992-93 PSBR will exceed the Treasury's forecast of £29bn. Many City economists think the figure will turn out at between £32bn and £35bn.

Total cash outlays by central government departments last month totalled £19.5bn, compared with £19.3bn in August and £17.9bn in September 1991.

Over the first six months of the financial year which started in April, the spending total came to £114.3bn. This figure, which is arrived at after subtracting privatisation payments, is 8 per cent more than the £105.5bn total for the corresponding period last year.

Lamont predicts recovery based on low inflation

Mr Norman Lamont issued this statement after cutting interest rates.

HAVING reviewed with the Bank of England the various indicators of inflationary pressure, I have concluded that a further cut in interest rates of 1 per cent would be fully consistent with the government's inflation objectives as set out in my statement to the Commons Treasury and Civil Service Select Committee.

MO [the narrow measure of

the money supply] is close to the centre of its target range. Although no monitoring range has been set for M4 [the broad measure of the money supply] its annual rate of growth, approaching 5 per cent, is at its lowest level for 20 years. M4 lending is also growing slowly.

House prices fell 2.75 per cent last month, bringing the fall over 12 months to 7.4 per cent. Surveys of inflationary expectations point to continuing downward pressure. The

producer prices index, excluding food, drink and tobacco, rose by only 2.6 per cent over the past year. There has not been a lower rate of growth since 1989.

Recent data and surveys, in this country as in the rest of the world, show that disinflationary forces remain strong and confidence weak.

The exchange rate has fluctuated around a level which, in current conditions, does not pose a significant threat to the

government's inflation objectives in the short term.

These indicators, on top of the progress we have made in curbing inflation, provide a firm basis for a sustainable reduction in UK interest rates.

This will be welcome to millions of families up and down the country with mortgages; and to British business, which now has the lowest official interest rates in the European Community and a highly competitive exchange rate.

We have now had a substantial, but justified, easing of monetary conditions since sterling's membership of the exchange rate mechanism was suspended.

Provided cost and price inflation are kept firmly under control, British industry can look forward with confidence to a pick-up in domestic and overseas sales.

Over the weeks ahead the government will be consulting closely with industry; and I shall set out the prospects for the British economy, together with the government's expenditure plans in the Autumn Statement next month.

A recovery based on low inflation is the only path to the secure jobs and rising prosperity we all want to see. I am not prepared to place that prospect in jeopardy by taking any risks with inflation and will be ready to tighten policy if our inflation objective should be threatened further ahead.

The politics of panic behind the cut in interest rates

By Peter Norman, Economics Editor

BRIITAIN'S homeowners and businesses are now in debt to the nation's beleaguered coal miners.

The government would not have cut bank base rates by one percentage point to 9 per cent around noon yesterday had it not become embroiled in a bitter political crisis over its plans to axe 30,000 mining jobs.

Before yesterday's announcement, there were growing expectations that further cuts in base rates were in the offing following the 1-percentage-point cut to 9 per cent on September 22 in the week after Black Wednesday. But it had looked as if the government might delay the rate cut until next month's Autumn Statement containing its public spending decisions for 1992-93 and its latest economic forecasts.

The timing of yesterday's cut - coming at midday instead of at 10am - smacked of panic. Other circumstances pointed to a hasty decision.

On Monday, Mr Norman Lamont, the chancellor, at the Commons Treasury and Civil Service committee, had indicated that there would be no rapid lowering of rates. Later in the week, the Bank of England's money market operations had suggested that 9 per cent base rates were likely to be in place for at least the rest of this month.

The final decision to cut rates was only taken yesterday morning in a meeting at the Treasury attended by Mr Lamont, Mr Robin Leigh-Pemberton, governor of the Bank of England, Sir Terry Burns, Treasury permanent secretary, Mr Eddie George, Bank deputy governor and a number of Treasury officials.

Although the timing of the cut was clearly linked to the government's difficulties over the planned pit closures, yesterday's statement by Mr Lamont provided a number of powerful arguments to justify the reduction of base rates to their lowest level since June 1988. The chancellor's references to M0, the narrow measure of

money supply, M4, the broad money measure, house prices and the producer prices index were consistent with the government's new approach of basing decisions on interest rates on a number of financial indicators. The statement also went some way to meeting the government's promise to explain its monetary policy more clearly to the public following sterling's abrupt departure from the European exchange rate mechanism.

What the chancellor did not explain was how the government and the Bank of England were taking a much gloomier view of the UK economy following events over the past week.

Since Mr Lamont appeared before the Treasury committee, the government had been given news of falling industrial production in August, rising unemployment in September and also had access to Bank of England figures, due next week, pointing to continued slow monetary growth and subdued bank lending last month. The coal closures, quite

apart from the political damage that they caused, were another economic factor to take into account. The events of the week had also damaged consumer and business confidence.

Developments in financial markets also favoured lower interest rates. For the domestic money market, it had become a question of when, not whether. Increasingly, foreign exchange market analysts were arguing that the prospect of a long recession was weighing more heavily on sterling than the likelihood of a cut in interest rates.

It emerged yesterday that a reduction in base rates to around 8 per cent had been under consideration by monetary authorities since Britain's departure from the ERM on Black Wednesday.

In the view of the both the Bank and the Treasury, UK monetary conditions had become far too tight while sterling was linked to the strong D-Mark and Britain was unable to bring its interest rates below German levels in the ERM.

After leaving the ERM, the government had set about rebalancing policy - easing monetary conditions through lower interest rates against the background of sterling's trade weighted devaluation of around 10 per cent - while finalising tough public spending decisions.

Officials would have preferred to delay yesterday's rate cut until the Autumn Statement was ready. But political necessity intervened. The decision to cut rates was probably two-thirds rational economic judgment and one-third political opportunism.

The anticipatory nature of the rate cut suggests that the authorities will not be quick to follow up with a further sharp reduction in rates. The feeling among officials is that monetary policy has been adjusted to compensate for the earlier excessively tight conditions in the ERM.

Both the Bank and the Treasury will be watching carefully to see how sterling reacts to developments. There will inevitably be some inflationary

impact as a result of its depreciation since Black Wednesday, although the recessionary forces in the economy are now felt to be so strong that this will be limited.

There is some concern that sterling - at around DM2.44 yesterday - is undervalued against the D-Mark and that this could create unwelcome inflationary pressures if maintained for more than a few months. But it is hoped that sterling will recover against the D-Mark as the economy picks up and when Germany cuts its interest rates. However, yesterday's decision on base rates was not based on any expectation of an early relaxation of German monetary policy.

The unanswered question is whether 8 per cent base rates will suffice to bring the UK's longest post-war recession to an end. Even before the plans to close down much of Britain's coal industry, the August drop in industrial production suggested that gross domestic product in the non-oil onshore economy would be

either flat or fall again in the third quarter. This week's news has done nothing to allay fears that unemployment will keep on rising.

The international economy is also deteriorating. The Organisation for Economic Co-operation and Development this week revised down its expectations of growth in the industrialised world to 2.1 per cent next year from the 3 per cent forecast in June. Unemployment is expected to average more than 10 per cent in the OECD's European member states next year as growth averages only 1.5 per cent.

There is some good economic news to be found in Britain. Unit labour costs - up 1.8 per cent in August compared with less than 1 per cent in other big economies. Foreign manufacturers are also buying more from Britain. But the bad news continues to outweigh the good, depressing confidence, and making uncertain the expansionary effect of cuts in interest rates.

NEWS: UK MINING CLOSURES

Cabinet version of events revised

By Philip Stephens, Political Editor

DOWNING Street yesterday sought to salvage something from the public relations wreckage surrounding this week's pits closure announcement by insisting that most members of the cabinet had been informed before the decision was made public.

Delivering the third version in as many days of the precise mechanics of the decision, officials said Mr Michael Heseltine, trade and industry secretary, had forewarned colleagues of the announcement at a cabinet committee meeting on Tuesday morning.

The committee - on overseas policy and defence - had been attended by all but four cabinet ministers. Those absent were Mrs Virginia Bottomley, health secretary, Lord Mackay of Clashfern, Lord Chancellor, Mrs Gillian Shephard, employment secretary, and Sir Patrick Mayhew, Northern Ireland secretary.

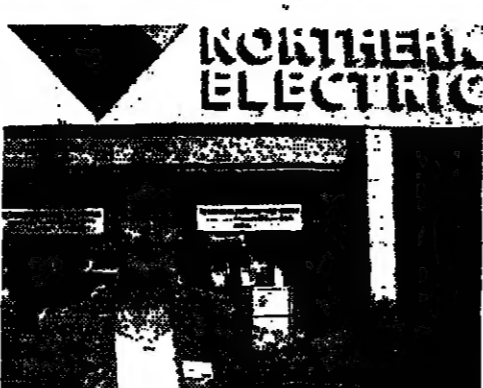
Downing Street said Mr Heseltine had informed the group that the announcement - originally planned for next week - was being brought forward at the request of British Coal to end uncertainty.

The officials stressed also that a number of senior ministers - including Mr Norman Lamont, the chancellor, and Mr Kenneth Clarke, home secretary - had been involved for several weeks in talks with Mr John Major, the prime minister, and Mr Heseltine on the scale of the closures. Others such as Mr Peter Lilley, social services secretary, had been brought in to the discussions at various points.

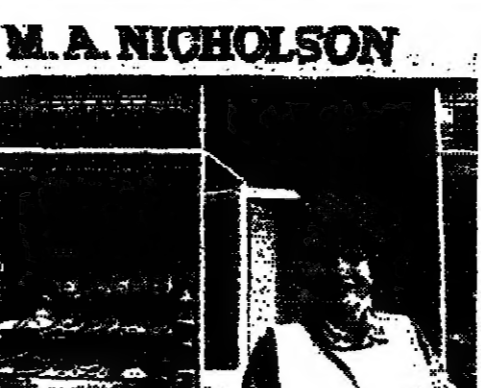
But the explanation, which followed days of confusion as to why Thursday's cabinet meeting had been asked merely to rubber-stamp such an important decision, failed to dispel disquiet among some ministers about the apparent ability of British Coal to "bounce" Mr Heseltine into an early announcement.



Ron Wood: "Byron hated the bloody town. I can't blame him"



Joan Frail: "At the end of the year it's possible more shops will close"



Carole Shaw: "Barnardo's second-hand clothes business is brisk"



John Webster: "We went through a year's pit strike and came through"

When a community loses its heart

Richard Donkin reports on the mood in Seaham where the town's last pit ceased production yesterday

THE FIRST storms of the winter were sending waves crashing over the outer piers of Seaham harbour yesterday as the winding gear of the town's remaining pit winched up men on the final day of production. Facing seawards, the blank expressions of the miners gave no hint that they were witnessing the end of Seaham's industrial heritage.

Mining breathed life into this Durham town. Before the last century it was a small rural settlement, but coal production led to the creation of a railway and a bustling harbour. Foundries were built and a bottle works thrived for a time. The industry has gone and the Vane Tempest colliery is the last of the town's mines.

The bodies of the 183 men and boys who died in the town's great colliery disaster in 1880 are still entombed in sealed underground workings at the old Seaham colliery. Now Seaham, with a population of about 35,000, is withering with its dying pits.

Seaham has seen better days, but it has never been a prosperous town. People used to search the beach for coal when times were hard. The sand is still black - so moonlike that the makers of a new science-fiction film used it as the backdrop for a desolate planet.

In spite of their sadness at the pit closure, the townspeople remain stoically cheerful, retaining a sense of humour. Mr Ron Wood, who runs the franchise of Swinton Insurance, in Church Street, the

main shopping centre, says: "Personally I think the future for the area is tourism. Lord Byron used to live here. Mind you Byron hated the bloody town. I can't blame him."

Swinton's says this week was "make a will week" - but there had been no takers. Church Street sells everything necessary to sustain life, but little more. Even the Woolworths closed three years ago.

The few shops selling electrical goods are anxious about their prospects now all the pits have gone. Mrs Joan Frail, manager of the Northern Electric shop, is offering deferred payments until next March on some goods with a 20 per cent down payment. In a further promotion the shop is offering vouchers of £100 to £200 that can be used against holidays for customers who buy on credit.

"But if people can't afford to

go on holiday in the first place it isn't much good," she says. Her own company has just made 98 people redundant in its retail division. "At the end of the year it's possible that more shops will close," she says. "I just hope that the Seaham branch of Northern Electric isn't one of them."

The town's bakeries continue to do a brisk trade, selling a staple food. Mrs Lorna Huntley, married to a retired miner, and an assistant at Nicholson's bakery for the past 23 years, says: "We make good bread that people can still afford. Our boss understands people's problems and hasn't increased prices for one and a half years. The bread is selling well but people are buying less confectionery and cakes."

Foggin's newsagents also looked busy. "The local papers are going well because they have all the jobs in them," says

Mrs Dorothy Carr, the owner. Unlike most of the UK at the end of the 1980s, house prices never jumped much in Seaham so they hadn't dropped much either, says Mr David Shaw, who runs a town-centre estate agency. Average house prices are about £25,000. Business is slow, he says: "The house market is so bad that I don't think the closure of the pit could make much difference."

Seaham's building societies are looking forward to a rush of deposits when miners bank their redundancy payments, but mortgage lending is low. "These days house buyers tend to take a mortgage protection policy as a matter of course," says Mrs Janice Ferguson, manager of the Northern Building Society.

The Vane Tempest closure had not been unexpected, she says. The husband of Mrs Irene Henderson, one of the society's

officers, has just taken redundancy at the pit. She has no idea where he might get another job.

Not all businesses are doing badly. The Zodiac Video centre next to the parish church is part of an expanding chain. The most popular video this week is Cape Fear. Mrs Margaret Drysdale, the manager, says: "People have nothing else to do. They probably just watch the telly."

The small jewellers' shop in Church Street gives the impression that there must be some demand for luxury items in the town, until you go inside and talk to Mr Wilfred Dunn, the proprietor. "I don't sell much," he says. "It's the repairs that keep me busy. You can't sell luxury goods here."

This is confirmed by the experience of Mrs Carole Shaw, manager of Barnardo's second-hand shop. She described busi-

ness as brisk, with the average price of clothes in the shop between £2 and £3.

Mr Eddie Owsnett who owns a pork and beef butcher's in the town said one of his specialties in increasing demand is the 50p savoury dip. This consists of a bread bun, coated with peas pudding on one side, sage and onion stuffing on the other and containing meat trimmings in the middle, dipped in gravy and served up hot as a lunchtime snack.

Mr Allen Brooks, the fishmonger, says: "A few retired people are moving into the area from the south so that could partly compensate for the downturn. But morale is certainly low in the town."

Meanwhile, the Seaham job centre has just 12 local jobs on its noticeboard. The town has about 1,500 people unemployed, but the number of jobless will increase immediately after the 900 redundancies at the colliery. "It will decrease my chances of getting a job by 50 per cent," says one of the fishermen digging for worms in the harbour. "There's nothing else for me to do but fish."

But it would be wrong to describe Seaham as a gloomy town. Its people have suffered too many disappointments to be depressed about the latest blow. "We went through a year's pit strike and came through it," says Mr John Webster, who runs a high street wallpaper shop. People have pride in their homes and they still want to decorate. They have time on their hands.

TUC aims to take lead in protest

By David Goodhart, Labour Editor

THE general council of the Trades Union Congress will today try to place itself at the head of the protest aimed at reversing the government's pit-closure decision and link its campaign to a broader initiative to combat unemployment.

Mr Bill Morris, leader of the TGWU general union, said the British people had "drawn a line in the sand and said - so far, no further".

Mr Morris and Mr John Edmonds, leader of the GMB general union, are proposing a six-point programme to the TUC to include a mass demonstration next weekend, a moratorium on pit closures, and a £10bn stimulus to the economy.

Mr Morris suggested that some of the £10bn could be raised through a one-off "wind-fall" tax on the profits of the privatised utilities. He said: "There is a great vacuum of leadership on the economy at the moment and the TUC must try to fill that and speak for the people of Britain."

Mr Edmonds proposed a national recovery forum to discuss a short-term recovery package. "We need a spark to re-ignite the British economy," he said. He pointed to the £20bn stimulus that the Japanese government was applying to its economy as a model.

Mr Edmonds said the government and all sides of industry should set aside their political and ideological differences to establish such a recovery programme. Mr Morris and Mr Edmonds are seeking a meeting with the senior management of the electricity generation industry and British Gas.

Some union leaders believe the response of both the TUC and the Labour party to the pit closures has been inadequate. They believe there is now a real chance to force a U-turn in government policy and perhaps even to bring down the government.

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Estate agent David Shaw: House market so bad pit closure won't make much difference

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AIB Bank announces that with effect from close of business

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Saturday October 17 1992

Past errors of judgment were widely made outside the UK Treasury. But the monetary easing

An approach on these lines is required in order to re-establish confidence in British economic management and ensure that sterling does not fall too far too fast on the foreign exchanges. A sharp easing of monetary policy, endorsed by a panicked government, will send all the wrong signals. Until the government defines its strategy, everything it does, right or wrong, will still be suspect.

long-term effects of privatisation of the electricity industry. The electricity generators were privatised on the understanding that when their contracts with British Coal ran out in April 1993, they could renegotiate them on realistic rather than inflated prices. Negotiations on those contracts are now underway, and it is clear that the generators want to take as little British coal as possible because of its high cost. If the government wanted to postpone the colliery closures, it

There is a great deal of gas in the North Sea - enough to last at least 50 years, so there are no short-term supply problems.

The switch to gas is happening partly for commercial reasons, but also because of bad planning in the electricity privatisation. Gas has many advantages over coal: it is

British Coal is mothballing four of the 31 collieries listed for closure in case its market revives. But it is costly to keep mines open and these will most likely be shut too unless there is a swift change in coal's fortunes. If next century the UK

But if none of these come about, British Coal could be sold to stock market investors. In world terms, it would be a minor coal company with moderate profits at best. World energy supplies are plentiful for the foreseeable future so, barring upheavals, the price of coal is unlikely to show a sharp increase.

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COMPANY NEWS: UK

Attwoods fall surprises City

By Richard Gourlay

ATTWOODS, the international waste management company, yesterday surprised the market with an 8 per cent fall in annual profits after volume and margins were hit in tough markets.

Pre-tax profits in the year to end-July fell unexpectedly from £38.7m to £35.6m on sales 18 per cent higher at £341m. Earnings per share fell from 12.39p to 8.06p but the full-year dividend is maintained at 5p with an unchanged 3.25p final proposed despite the increase in the number of shares after last year's rights issue.

Following the results, Attwoods' brokers, Rowe & Pitman, reduced its forecast of this year's profits from near £50m to £40m.

The company's shares closed

down 7p at 106p.

In the second half the US recyclables processing business, Mindis, showed no recovery from the first half fall. An operating profit of £16.1m in 1991 evaporated to profits of £2.5m (£1.45m) after a slide in world metals prices.

Mr Ken Foreman, chairman, said that a new \$300m bank facility meant the group entered the new year with the strongest base it had ever had. Gearing had fallen from 91.6 per cent to 36.4 per cent.

The group made a £3.5m extraordinary provision to cover the costs of fines and other liabilities that have emerged from the investigations of over-charging by some Attwoods managers in the mid-Atlantic region. Attwoods has now refunded affected customers back to 1991.

Administrative expenses rose from £35.6m to £44.9m partly as a result of one-off exceptional items including the reorganisation of the east coast operations following the fraud. Attwoods, which has most of its US business in Florida, is expecting to be a net beneficiary from the clear-up operation after Hurricane Andrew.

COMMENT

There was almost no element of choice about last year's rights issue - no new money from shareholders would most likely have meant no new money from the banks and thus curtains. But subscribers must nevertheless be dismayed by yesterday's results. The problem is not so much the tough trading conditions that persist, particularly in the US, but what must be most galling

is that Attwoods did not flag the potential for continuing problems at Mindis more carefully. As it has turned out, profits have fallen off a cliff and there is little sign of an improvement this year over the £2.5m contribution in 1991. What is more, there are few signs that Attwoods has turned the corner. With the US flat, any improvement from the well-managed German operation is likely to be offset by a downturn in the UK. As a result profits are unlikely to be higher than £38m this year, giving flat earnings of 8.1p. The 13 times prospective earnings multiple, though a substantial discount to fellow international waste companies and even the UK market as a whole, may well be an accurate reflection of the company's value.

Change of ownership likely at C&J Clark

C&J CLARK, the footwear manufacturer and one of Britain's largest private companies, is not likely to remain a family-run business for much longer.

After 187 years of family control, the consensus which emerged at yesterday's emotional extraordinary meeting was that only a change in ownership could end the decades of internecine warfare, writes Peggy Hollinger in Glastonbury.

That was about the only point on which the board unanimously agreed during the 90-minute meeting, with the differences in opinion only too obvious.

The EGM had been called by four directors who proposed to replace Mr Walter Dickson, the chairman, and Mr James Power, a non-executive director. The rebels claimed a disagreement over corporate strategy and aimed to increase family influence on the board.

The proposals were never put to the vote, however, as shareholders voted unanimously to adjourn the meeting until after the annual meeting in April. The adjournment was part of a last-minute compromise agreed late on Thursday afternoon.

The deal included the creation of a committee to review possible bids for Clark's, and in the end, the current generation including William's great-grandson, Mr John Clothier, won the licence through sheer persistence.

What the people of Street might not have realised then, was that the licence marked deep changes in the culture of Clark's and the family which has run it for 187 years.

Mr Clothier, managing director, is one of the new breed. A fast-talking, brusque man, he appears determined not to let emotion cloud business - unless someone criticises the quality of Clark shoes. Thus he does not quail at the thought that the family might yield control in return for cash to carry Clark's into the international branded arena.

He is also the first Clark running the business not to have come from the manufacturing division. Mr Clothier was weaned on retail, which Clark entered for the first time seriously in the 1970s.

Mr Clothier is not alone in his pragmatic approach. The Clark family members, with claims to 80 per cent of the business, have grown to more

Family footsteps fade as Street faces changes

Peggy Hollinger on the problems at C&J Clark



Pensioners and shareholders leave yesterday's extraordinary meeting

THE SMALL Somerset village of Street knew change was in the air when the Bear Hotel finally got its licence to sell alcohol five years ago.

The Clark family, Quaker guardians of Britain's biggest shoe manufacturer C&J Clark, had long been divided over the issue. The place had been dry since 1883 when William Clark, son of the Quaker founder, bought the pub facing the original factory and converted it into a coffee house.

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than 500 since Cyrus and James Clark began making slippers in 1825. Yet fewer are coming forward to join the company. For the vast majority, their sole links are share certificates and the welcome dividend income.

As times have become more difficult, many have been frustrated by their inability to cash in their shares. The matter has become more urgent with the prospect of a severe downturn. Many received a rude shock this summer when the board cut the pay-out and said it could no longer guarantee dividend growth.

The extended family is splitting among different factions: some want to retain control, others want to sell - yet most members accept business practices must change.

To some extent the changes are being forced on the family by external factors: Clark's expansion in the 1950s and 60s and the harsh environment.

Both call for ruthless business skills and vast amounts of cash. The company also found itself less than comfortable financially following its buy-back of 26m of family shares two years ago.

But many in Clark and the community pin the changes on the family's alienation from its roots in Street. For the first time the 11-board members live around the country. According to one employee: "That is the difference from the generation which ran Clark in the 1950s. The family is split geographically and emotionally."

The locals in Street find it difficult to come to terms with the current generation of

Clarks. For years, Streetonians regarded the family as their own and factory work as their right. Now they never see the family and the jobs are no longer there.

The recent closure of the company's last shoe factory in the town where it all began was felt by many to be unforgivable. The once proudly-quoted phrase "Clark's made Street" is now uttered with the bitterness of the betrayed.

Local officials, meanwhile, fear the closure could overshadow Clark's abandonment of Street. Their anxieties have been amplified by talk of a sale. The company is still one of the area's largest employers with 1,000 people working in its Street headquarters.

The village was little more than a stagecoach stop, renowned only for its drunks, when Cyrus and James first set up business. Today it boasts 9,000 souls, several schools, two swimming pools, a theatre, a college and a library. Most of these have been funded by the Clark family.

The present day management still prides of its commitment to the community and its workers. Through a trust fund, Clark contributes more than £1m a year to various projects and the subsidised canteen at the headquarters is open to pensioners in search of a warm, cheap meal.

Such gestures are not likely to change under the current management, which puts a high value on the company's traditions. Whether they would survive a takeover is another question.

Buyers line up at Clarke Foods

By Angus Foster

THE FUTURE OF FAB and Zoom ice-creams looked slightly more secure yesterday when the administrative receiver appointed to Clarke Foods, owner of these and other brands, said nearly 50 potential buyers had come forward since Clarke asked its bankers to call in receivers on Tuesday.

Mr Ipe Jacob, joint administrative receiver from chartered accountants Robson Rhodes, said several leading companies in the ice-cream trade as well as outsiders had expressed "serious interest".

He added that the level was greater than had been anticipated.

Clarke, founded by Mr Henry D Clarke Jr, an American, became the UK's second largest ice-cream maker last year when it bought Lyons Maid from Allied-Lyons.

But Clarke ran into trouble after it missed the early summer heat wave because of problems with new equipment. Then stocks built up when the weather turned cool.

Mr Jacob said he hoped the company could be restructured or sold as a going concern in "six to 12 weeks".

Andrews Sykes board backed

By Paul Taylor

MR JACQUES MURRAY, the dissident shareholder who holds a 29.2 per cent stake in Andrews Sykes, the specialist industrial services group, yesterday lost his battle to unseat Mr David Hubbard, chairman, and take control of the board.

Shareholders, led by institutional investors, representing more than 62 per cent of the ordinary shares, voted, and issued proxies, in support of Mr Hubbard and the existing board at an extraordinary meeting called at the request

of Mr Murray. The vote ends a bitter six-week battle for boardroom control between Mr Murray, who is also chairman and majority shareholder of Nu-Swift, the fire protection, office cleaning and property company, and the Andrews Sykes board led by Mr Hubbard who became non-executive chairman last autumn.

Mr Murray had asked shareholders to back six resolutions at the extraordinary meeting which would have removed Mr Hubbard and Mr David Crowe, one of the two other non-execu-

tive directors, from the five-man board, and replace them with himself and three of his associates. All of the resolutions were rejected by a substantial majority.

European Fire Protection, one of Mr Murray's investment vehicles, issued a statement saying it was disappointed with the outcome but added that it felt justified in "focusing shareholders' attention on Andrews Sykes' poor financial performance and the failure of management to address the decline in profitability with an effective strategy."

Board seeks resignation of Avonside chief

By Tim Burt

THE BOARD OF Avonside, the housebuilder floated by Cannon Street Investments in March, has asked its managing director, Mr Gordon Carruth, to stand down amid signs that the group is seeking a change in management strategy.

The group said yesterday that the decision to seek a new managing director was not linked to any misdemeanour, or the current performance - it announced a pre-tax profit of £2.82m on a turnover of £26.9m in the first half of 1992.

Mr Christopher Glynn, non-executive chairman of the Wrexham-based group, announced he would take over the role of managing director. The board has a very clear idea of what we want to do and where we are going, Gordon said a very good job but we didn't believe he was the man to lead us," Mr Glynn said.

City institutions were surprised by the decision just six months after Mr Carruth handled the flotation, which valued the group at £45.5m or 108p per share. They lost 11p on yesterday's news to close at 74p.

Forward Technology cuts loss

Forward Technology Industries cut its pre-tax loss by £96,000 to £238,000 in the half year to June 30 1992.

And the full year was expected to show "we have taken a further step towards a satisfactory profit level", claimed Mr Brian Chilver, chairman.

Electronics produced turnover of £12.9m (£14.1m) and a gross loss of £53,000 (profit £168,000). The cleaning activity was showing an increase, but the recession hit the welding activity, leading to an overall reduction in business.

Mr Clark leapt to the defence, saying he felt it would have been irresponsible to "sit and watch" as profits steadily declined and the threat of a bid loomed.

The adjournment has merely postponed the dispute. The resolution will be put to the vote in April, unless the rebels decide to withdraw. They have refused to comment.

Trinity Holdings expected to open at premium

TRINITY HOLDINGS is likely to open at a premium to its offer price of 120p when trading in the maker of Dennis chassis and fire engines begins on Monday.

The October 6 placing valued Trinity at £61.7m.

The offer of 6.25m shares to financial intermediaries for sale to private clients was oversubscribed 2.99 times. The

allocation will be scaled back to 43.82 per cent of applications.

A further 18.6m shares were placed with institutional investors on behalf of Baring Brothers by Albert E. Sharp. The 150,000 ordinary shares made available to employees were fully subscribed.

Letters of acceptance should have been posted yesterday.

Redland sells remaining stake in plasterboard venture

By Andrew Taylor, Construction Correspondent

REDLAND, one of Britain's biggest building materials companies, is proceeding with plans to sell to Lafarge Coppee of France its remaining 30 per cent stake in their loss-making UK plasterboard joint venture.

The joint venture, which made a £20m loss last year, was formed in August 1990

after Redland's original partner, CSR of Australia, sold its share to Lafarge.

Under the terms of the deal Redland has the right to request Lafarge to buy its remaining 30 per cent stake by December 1, this year.

The British group, which earlier this year announced it would exercise the option, is expected to raise £40m from the sale.

Harmony accounts qualified

By Tim Burt

THE AUDITORS of Harmony Leisure have qualified the accounts of the loss-making pubs and restaurants group, after bankers demanded a substantial reduction in the company's overdrafts and loans.

Hacker Young said Harmony's £1.6m banking facility, reduced from £2.7m in the year to March 29 1991, would be extended until October 1993 on condition there was "a phased

reduction in the group's overdraft requirements in January 1993".

Barclays is understood to be seeking a six figure debt reduction at Harmony, which incurred a 70 per cent increase to £3.68m in pre-tax loss on turnover of £5.44m in the 52 weeks to March 29 1992.

Mr Robert Dawson, the newly appointed non-executive chairman who replaced Sir Stanley Grinstead earlier this week, disclosed "that the long

term future of the company could well be as part of an enlarged grouping".

A number of potential bidders are thought to be interested in the property assets, which include several well-known pubs and hotels in London and the south east. No formal talks have yet begun.

A group of shareholders, meanwhile, is seeking the removal of the directors at an extraordinary meeting likely to be held next month.

Canadian oil restricts Hunting fall to 13%

By Richard Gourlay

HUNTING, the defence, aviation and oil services company, yesterday reported a 13 per cent fall in interim profits which would have been greater without a much improved contribution from the group's Canadian oil business.

Pre-tax profits in the six months to end-June fell from £15.56m to £13.45m on flat sales of £369.31m. Earnings per share fell from 8.1p to 8.2p and the interim dividend is maintained at 4p.

At the operating level defence profits were down from £8.3m to £3.5m reflecting the end of the group's contract to supply the MOD with JP 233 runway denial bombs that were extensively used in the Gulf War.

This division also suffered as a principal contractor in the supply of LAW 80 infantry-portable anti-tank weapons as a result of some production difficulties among sub-contractors.

Mr Ken Miller, chief executive, said that in spite of the spending cuts, Hunting's base load of defence business would not be eroded much beyond the current level.

Certain contracts for which it had tendered, including one for the management of Aldermaston, the atomic weapons establishment, could return the defence side to growth.

Profits in the aviation division fell from £5.6m to £4.6m following the loss of a contract to maintain BP's laser-aided oil exploration aircraft over the North Sea. The group has also been hit by the reduction in

the number of companies maintaining their own corporate aircraft.

Aircraft fitting had slowed on the BAe Jetstream 31 and 41 and the Saab 340. On the avionics side, the amount of overhaul work also fell.

The group had, however, won an MOD contract to maintain the Rolls Royce Conway engines for the RAF's VC10 tanker fleet.

On the oil services side, Gibson Petroleum, the Canadian subsidiary, helped improve profits from £5.17m to £7.06m on sales up 17 per cent at £237m. Despite the slow-down in Canadian exploration activity, the group was able to increase its pipeline volumes.

The division also benefited in the US where losses on specialised products were reduced.

£1.38m loss for Hawtal Whiting

HAWTAL WHITING, which provides design and engineering services to the motor industry, ran up a loss of £1.38m in the first half of 1992, but expects the current period to improve.

Benefits of reorganisation were coming through and should be fully reflected in the second half, said Mr John Whitcross, chairman.

He felt the group performed creditably with turnover down only 9 per cent to £27.3m.

The loss compared with a profit of £178,000. However, losses per share soared from 0.7p to 22.9p as UK losses could not be offset against North American profits.

Brooks Service in £104,000 deficit

A poor trading result has been exacerbated by reorganisation

costs in the first half of 1992 at Brooks Service Group, and a pre-tax loss of £104,000 was incurred compared with a profit of £338,000.

Since the half year the work wide continued to trade steadily and the retail division had shown some improvement, but lines services had not shown any indication of recovery.

Therefore the interim dividend is being passed (1.3p) on losses per share of 0.58p (1.85p).

In the half year turnover was £11.7m (£11.8m) but generated a profit of only £55,000 (£574,000). After interest paid there was a loss of £214,000 (profit £288,000), but that was offset by £110,000 (£48,000) exceptional credits.

Dunton cuts losses sharply to £803,000

Dunton Group reduced its loss significantly in the year ended May 31 1992, but reiterated that a return to profitability was only likely following a recovery in the economy and the property sector in particular.

For the year the deficit came

to £803,000 (£4.45m) and the loss per share to 1.01p (7.74p). Turnover of £2.74m (£2.34m) generated an operating surplus of £876,000 (loss £2.5m).

Apart from property the group is interested in brick making. Those operations had been cash generative throughout the year although output was substantially less than full capacity, said the directors.

In property the group continued to achieve sales at or above book value.

Asset fall at Abtrust New European Tst

Over the six months ended August 31 1992 net asset value of Abtrust New European Investment Trust fell from 77.2p to 67.1p.

A year earlier it stood at 79.7p.

The portfolio exposure to the larger markets of Germany and France had been increased at the expense of Austria and Scandinavia, with more modest reductions in Italy, Spain and the Netherlands.

Total income for the half year was £561,000 (£537,000) and net revenue worked through at £193,000 (£192,000) for unchanged earnings per share of 0.56p.

Radiotrust net asset value declines

Radiotrust had a net asset value per share of 49.39p at July 31 compared with 56.72p a year earlier and 50.21p at the trust's January year-end.

Net losses for the half year amounted to £21,416 (profits of £33,363), equivalent to losses per share of 0.25p (0.39p earnings).

Anglo St James £289,000 in the red

Anglo St James, the commercial property developer, incurred a pre-tax loss of £289,000 in the first half of 1992. Last year the loss was

Exceptional charge leaves Baris in loss

Legal costs and under-performance by its Spanish offshoot left Baris Holdings, USM-quoted provider of fire protection, in the red in the six months to the end of August.

The pre-tax loss was £70,000 after an exceptional charge of £388,000, relating to legal fees in a dispute over two contracts.

Turnover for the six months increased to £11.3m, against £11m when pre-tax profits were £403,000.

Losses per share came out at 1p (earnings 3.7p) and the interim dividend is being passed (2p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Attwoods	3.25	Feb 1	3.25	57	5
Baris	2	2	2	2	2
Brooks Service	1.3	1.3	1.3	4.05	4.05
Hunting	4	Dec 21	4	4	10
Sphere Inv	0.75	Nov 30	0.3575	3.87	3.87

Dividends shown per share net except where otherwise stated. †On increased capital. ‡SUSM stock. ††Third interim, making 2.25p so far.

LONDON RECENT ISSUES

EQUITIES									
Issue Price	Am. Paid	Lat. Recd.	1992	1991	Stock	Closing Price	4er	Net Div.	Thurs. Gross P/E
100	100	100	100	100	100	100	100	100	100

FIXED INTEREST STOCKS									
Issue Price	Am. Paid	Lat. Recd.	1992	1991	Stock	Closing Price	4er	Net Div.	Thurs. Gross P/E
100	100	100	100	100	100	100	100	100	100

RIGHTS OFFERS									
Issue Price	Am. Paid	Lat. Recd.	1992	1991	Stock	Closing Price	4er	Net Div.	Thurs. Gross P/E
100	100	100	100	100	100	100	100	100	100

TRADITIONAL OPTIONS									
Issue Price	Am. Paid	Lat. Recd.	1992	1991	Stock	Closing Price	4er	Net Div.	Thurs. Gross P/E
100	100	100	100	100	100	100	100	100	100

● First Dealings Oct. 12
● Last Dealings Oct. 23
● Last Dealings Jan. 14
● For Settlement Jan. 25
3-month call rate indications are shown on page 13.

Prices for electricity determined for the purposes of the electricity pooling area in England and Wales					
Pooled area					
Period	Pool	Pool	Pool	Pool	Pool
12 hour period	17.08	17.08	17.08	17.08	17.08
0000	17.08	17.08	17.08	17.08	17.08
0100	17.08	17.08	17.08	17.08	17.08
0200	17.08	17.08	17.08	17.08	17.08
0300	17.08	17.08	17.08	17.08	17.08
0400	17.08	17.08	17.08	17.08	17.08
0500	17.08	17.08	17.08	17.08	17.08
0600	17.08	17.08	17.08	17.08	17.08
0700	17.08	17.08	17.08	17.08	17.08
0800	17.08	17.08	17.08	17.08	17.08
0900	17.08	17.08	17.08	17.08	17.08
1000	17.08	17.08	17.08	17.08	17.08
1100	17.08	17.08	17.08	17.08	17.08
1200	17.08	17.08	17.08	17.08	17.08
1300	17.08	17.08	17.08	17.08	17.08
1400	17.08	17.08	17.08	17.08	17.08
1500	17.08	17.08	17.08	17.08	17.08
1600	17.08	17.08	17.08	17.08	17.08
1700	17.08	17.08	17.08	17.08	17.08
1800	17.08	17.08	17.08	17.08	17.08
1900	17.08	17.08	17.08	17.08	17.08
2000	17.08	17.08	17.08	17.08	17.08
2100	17.08	17.08	17.08	17.08	17.08
2200	17.08	17.08	17.08	17.08	17.08
2300	17.08	17.08	17.08	17.08	17.08
2400	17.08	17.08	17.08	17.08	17.08

Prices are determined for every half-hour in each pool. The price for electricity is determined for the pool. The price for electricity

COMPANY NEWS: UK

RHM fights Hanson with demerger plan

By Guy de Jonquieres, Consumer Industries Editor

UNTIL yesterday, shareholders in Ranks Hovis McDougall were waiting for the baking and grocery group to unveil a defence strategy against the £700m hostile bid launched by Hanson 10 days ago.

What they were offered was a restructuring proposal which tacitly acknowledged that the company - or at least large parts of it - was unlikely to remain independent under present top management for very long.

Announcing plans to demerge RHM into three businesses, Mr Stanley Metcalfe, chairman, said the aim was to give shareholders an option to the Hanson bid which recognised more fully the value of their investment.

"What would really be very bad news would be if our business went too cheaply," he said. "We would never forgive ourselves for that."

The increase of only 5p to 346p in RHM's share yesterday in a buoyant market suggests investors were not immediately convinced that they stood to gain much from RHM's own option.

Mr Metcalfe said his board had been concerned since late spring about the long slide in its share price, which had fallen to 185p, from 400p only three years ago. The board had already been considering a demerger and decided to go ahead after the Hanson bid.

A principal attraction of demerger would be to stop market perceptions of RHM's profitable grocery and cake businesses from being clouded by the problems of its milling and baking division, which would have largely responsible for its weak share price.

For the past three years the division has been savaged by a bread price war, though RHM yesterday offered a crumb of hope by announcing that it planned to buy Dalgely's bread baking business for £28m.

RHM says the purchase, which is not conditional on the demerger going ahead, would give it control over about half the surplus capacity in the bread market and three modern bakeries in the south and

southwest, regions where it stood to use extra production. They are said to be profitable on turnover of about £50m.

It was also encouraged by recent flour and bread price increases and by a modest pick up in bread consumption.

However, the main bait for shareholders is in the grocery and cake businesses, which together earned operating profits of £84.8m on sales of £849m last year. They comprise many household names, including Mr Kipling cakes, Bisto gravy mix, Saxa salt, Paxo stuffing and Sharwood's relishes.

RHM believes the businesses would trade for as much as 15 times earnings as independent quoted companies. They would also be much more exposed to takeover by a group such as BSN of France, which has already expressed interest in buying parts of them.

Mr Metcalfe and his colleagues stopped short of saying they wanted or expected takeover. But did not seek to conceal the potential rewards to shareholders if that occurred, pointing out that some branded food companies had recently been sold for 25 times earnings or more.

Whether RHM's mixed bag of brands would command that high a multiple could not be known until a bidder emerged. In any case, under RHM's plan, the opportunity would not arise until after the demerger

took effect in four to six months' time.

The plan could also be complicated if there was a Monopolies and Mergers Commission investigation into the Dalgely deal. RHM considers this unlikely because the acquisition gives it about 22 per cent of the bread market, below the 25 per cent threshold which triggers an MMC reference.

However, the acquisition would give RHM 35 per cent of sliced and packaged bread sales, which account for three-quarters of the total market. That is about the same as the share held by Associated British Foods, its main rival.

Given these uncertainties, and the fact that Hanson's bid is governed by a tighter timetable than demerger, RHM's newly-hatched option may offer shareholders less of a straight choice than a fall-back contingency should a Hanson takeover fail to materialise.

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southwest, regions where it stood to use extra production. They are said to be profitable on turnover of about £50m.

It was also encouraged by recent flour and bread price increases and by a modest pick up in bread consumption.

However, the main bait for shareholders is in the grocery and cake businesses, which together earned operating profits of £84.8m on sales of £849m last year. They comprise many household names, including Mr Kipling cakes, Bisto gravy mix, Saxa salt, Paxo stuffing and Sharwood's relishes.

RHM believes the businesses would trade for as much as 15 times earnings as independent quoted companies. They would also be much more exposed to takeover by a group such as BSN of France, which has already expressed interest in buying parts of them.

Mr Metcalfe and his colleagues stopped short of saying they wanted or expected takeover. But did not seek to conceal the potential rewards to shareholders if that occurred, pointing out that some branded food companies had recently been sold for 25 times earnings or more.

Whether RHM's mixed bag of brands would command that high a multiple could not be known until a bidder emerged. In any case, under RHM's plan, the opportunity would not arise until after the demerger

took effect in four to six months' time.

The plan could also be complicated if there was a Monopolies and Mergers Commission investigation into the Dalgely deal. RHM considers this unlikely because the acquisition gives it about 22 per cent of the bread market, below the 25 per cent threshold which triggers an MMC reference.

However, the acquisition would give RHM 35 per cent of sliced and packaged bread sales, which account for three-quarters of the total market. That is about the same as the share held by Associated British Foods, its main rival.

Given these uncertainties, and the fact that Hanson's bid is governed by a tighter timetable than demerger, RHM's newly-hatched option may offer shareholders less of a straight choice than a fall-back contingency should a Hanson takeover fail to materialise.

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Stanley Metcalfe, giving shareholders other options

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Retailers must save themselves

John Thornhill reports on Geoff Mulcahy's view of future trends

NEXT MONTH Mr Geoff Mulcahy will celebrate the tenth anniversary of his leadership of the Kingfisher retailing group.

During his time at the top, Mr Mulcahy has steadily steered the group through the "feeding frenzy" of consumer spending that broke out in the late 1980s and the frantic frugality that has followed. In the process, he has created one of the UK's biggest and most resilient retailers.

Born out of the 1982 buy-out of the UK arm of the Woolworths variety store chain, the company has successfully expanded by squeezing its existing assets and bolting on the B&Q, Superdrug and Comet chains. Its market value has grown from £150m to £2.7bn in that time.

But speaking at a Financial Times conference last month, Mr Mulcahy painted a bleak picture of the future, warning of the strains likely to continue to afflict the retailing sector even after the recession had subsided. His bearish rhetoric was matched by his actions as he recently exercised his options to sell Kingfisher shares, pocketing £1m.

In his conference speech and in a separate interview, Mr Mulcahy claimed there had been a "fundamental change in the dynamics of the so-called consumer society". The industry's obsession with continually asking when the consumer upturn would arrive had blinded it to the underlying changes that were taking place, he said.

"The ship's gone down and they're all clinging to the wreckage waiting for the big white ocean liner called Recovery to come along, toss out the lifeboats and sweep them all to safety," he said. "But instead of floating about aimlessly waiting to be rescued from the shipwreck of recession, we should be learning to live with the present conditions."

This outburst of colourful rhetoric comes as something of a surprise from a businessman who has built up a reputation for being laconic - even going so far as to name his boat No Comment.

Dubbed Mogadon Mulcahy by some analysts for his dull delivery and famed for his



Geoff Mulcahy: days of high gross margins gone

unwilling habit of mutilating paper clips during conversations, he recoils from promoting his personality as was the habit of so many flashy retailers of the previous decade.

But in many respects Mr Mulcahy now appears the man of the moment. The retail heroes of the 1980s have all been forced to flee the scene. The anti-hero is in the ascendant. At times, he gives the impression of quite liking the recession; it presents him with a greater cerebral challenge.

Maybe it was because he came to the retailing industry relatively late in his business life that he does not share the outlook of those who have been born into the trade. "When we took over Woolworths we discovered a staff leaver saying that any employee sweeping the floors could rise to become chairman. We thought that was great until we realised that they viewed it not just as an incentive but as a necessary qualification," he says.

After a career working for Esso, Norton (the US industrial group), and British Sugar, Mr Mulcahy has come to believe that retailing offers similar challenges to any other business and ones that can be overcome by rational analysis

rather than instinctive responses. He believes the key determinant of success in any industry is the ability to manage change.

In Mr Mulcahy's analysis, the rate of growth of consumer spending will be far lower in the current decade while the challenges and costs will surely increase. "The demands of our customers for more convenience, wider ranges and improved service - all at lower prices - mean one thing: lower gross margins. Many analysts and fund managers have yet to come to terms with this, but I firmly believe that the days of high gross margins have long gone."

He predicts there will only be a gradual increase in total consumer spending over the course of the decade. While consumer credit exploded from £15.5bn in 1982 to £52bn by the end of the decade, he believes it will grow far more slowly to about £70bn by the year 2000.

But changes in consumer lifestyles and attitudes will make customers far more demanding, imposing additional costs on retailers. A higher percentage of women will be employed full-time and have far less time to shop adding to pressures for longer

opening hours. The ageing population will lead to a shift in cultural values with more discriminating worldly-wise shoppers: by 1996 the number of 35-59 year-olds in the UK will outnumber 16-24 year-olds. The growth of "green" consumerism will increase pressures on retailers to scrutinise the environmental impact of their products and practices.

For retailers, Mr Mulcahy believes these strains will lead to a continuing polarisation between the weak and the strong. Successful companies will have to create virtuous profit circles by cutting gross margins, winning market share, lifting levels of productivity and driving increased sales volumes over the same space, or less a tricky series of tasks in a sector still suffering from over-capacity.

To succeed, he believes retailers will have to focus more rigorously on narrowly-defined but growing markets seeking to establish market dominance. He suggests that the focusing of the disparate Woolworths chain over the last decade provides a template for what has to be achieved in the rest of the Kingfisher group. "It will be more about selling a lot of a little rather than a little of a lot," he suggests.

But Mr Mulcahy warns that retailers which fail to increase sales volumes to offset the decline of gross margins will be stuck in a "doom loop" of continuous contraction and cost-cutting from which it will be difficult to escape.

City commentators suggest that Mr Mulcahy's analysis is likely to apply more to mass consumer markets - such as DIY, electrical goods and toiletries - than to specialist niche areas of the high street which are more likely to be able to maintain high margins.

But Mr Mulcahy's remarks sound strangely reminiscent of an earlier era when retailers - like Woolworths - derived great economies of scale from "piling it high and selling it cheap". The future of retailing, it seems, lies in the reversion to past practices - only, thanks to the wonders of information technology, the execution of those principles can be startlingly more efficient.

ECONOMIC DIARY

MONDAY: CBI survey of distributive trades. House of Lords and Commons return from summer recess. Third televised debate in US presidential campaign. Italian industrial production figures. Italian new orders. Spanish budget balance. French industrial production. Queen and Duke of Edinburgh start five-day state visit to Germany. African Business Show conference (five days) organised by Imagemakers International in London.

TUESDAY: Building societies monthly figures. UK money supply. US house starts. Major British banking groups' monthly statement. Motor Show media day at Birmingham (show continues until November 1). Social Security select committee into review of pension funds. House of Commons (and Thursday). Presidents Franjo Tudjman of Croatia and Dobrica Cosic of Yugoslavia meet in Geneva for follow-up talks on normalisation of relations. 52nd ministerial meeting of NATO Nuclear Planning Group at Geneveagles, Scotland (and Wednesday).

WEDNESDAY: Board of Trade president Michael Heseltine gives evidence to Trade and Industry select committee. House of Commons: Hong Kong Governor Chris Patten visits Beijing (until Friday). UK retail sales (September) and provisional August construction orders. Smiths Industries final results. Danish-British talks start on demarcation line between Faroe and Shetland isles. Taking Taurus Live conference on implementation of Taurus organised by Equity International at the London Hilton.

ground resin

Wall St turns on Marlboro Man

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LONDON STOCK EXCHANGE Dealings

Details of business done shown below have been taken with consent from the last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange's Tailsman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 53(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd. Bargains at special prices. Bargains done the previous day.

British Funds, etc.

No. of bargains included 267

Treasury 13% 2000 - 210s 128
222 1/2

Exchequer 10% 2000 - 210s 128
130 1/2

Guaranteed Export Finance PLC 10%
11% 2000 - 210s 128 1/2

12% 2000 - 210s 128 1/2

Corporation and County

No. of bargains included 5

Birmingham City Council 11% 1998
2012 - 211

11% 2000 - 210s 128 1/2

11% 2000 - 210s 128 1/2

11% 2000 - 210s 128 1/2

UK Public Bonds

No. of bargains included 6

Agricultural Mortgage Co PLC 10% 2000
210s 128 1/2

11% 2000 - 210s 128 1/2

11% 2000 - 210s 128 1/2

11% 2000 - 210s 128 1/2

Foreign Stocks, Bonds, etc.

No. of bargains included 10

Hungarian Republic 10% 2000 - 210s 128
222 1/2

11% 2000 - 210s 128 1/2

11% 2000 - 210s 128 1/2

11% 2000 - 210s 128 1/2

Sterling Issues by Overseas Borrowers

No. of bargains included 20

2000 - 210s 128 1/2

2000 - 210s 128 1/2

2000 - 210s 128 1/2

2000 - 210s 128 1/2

Listed Companies (excluding Investment Trusts)

No. of bargains included 2435

2000 - 210s 128 1/2

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Listed Companies (excluding Investment Trusts)

No. of bargains included 2435

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Market

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AUTHORISED UNIT TRUSTS

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	1992	1991	1990	1989
Income & Growth	34.2	30.72	33.01	30.95
Watermark Gfk & P	17.04	71.04	72.99	70.24
Preference Shares	15.31	15.31	14.26	14.04
Income	243.0	243.0	241.7	240.0
Shareholders' Funds	48.48	48.48	48.48	48.48
Preference Shares	48.48	48.48	48.48	48.48
Property Shares	48.48	48.48	48.48	48.48

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Dorsetshire open Type NE7 772 003 233 007
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UK Spec Sales Acc. - 1 87.00 87.00 52.79 -3.01 4.23
 UK Spec Sales Inc. - 1 76.73 76.73 33.99 -2.96 3.56
 South East Ad Ad - 1 109.4 109.4 216.31 -0.11 0.11

Sample Endorse Form Sheet Ltd CL2000
 Admin: 5 Rainsford Rd, Winton, Grosvenor, Essex
 Enquiries: 0877 227300 Fax: 0877 227300
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October 16			October 16		
	Fls.	+ or -		Krmer	+ or -
DAF	15	20	Procorcia A	172	+4
DSFA	135	30	Procorcia B	170	-4
Elavien Des Recs	105	+30	SCA B	69	-1.50
Fokker Des Recs	10	50	SCF A Free	7	-0.50
Georg Des Recs	10	50	Sanitve A	325	-3
Georg Des Recs	10	50	Sanitve B	325	-3
Heinman	115	30	Sanitve C	325	-3
Heinman Des Recs	115	30	Sanitve D	325	-3
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WORLD STOCK MARKETS

AMERICA

Hangover in top stocks hits equities again

Wall Street

FURTHER declines in IBM and Philip Morris continued to depress US share prices yesterday morning, writes Patrick Harverson in New York.

By 1 pm the Dow Jones Industrial was down 27.56 at 3,147.12. The declines in secondary indices were less severe. The more broadly based Standard & Poor's 500 was down 1.32 at 408.06, while the Amex composite was up 0.40 at 366.03 and the Nasdaq composite down 0.03 at 578.61.

Turnover on the NYSE was 127m shares by 1 pm. Declines outpaced rises by 883 to 640. The economic fundamentals remained bearish. The day's economic news - an unexpected widening in the trade deficit and a 0.2 per cent decline in September industrial production - did little to aid sentiment.

The market was also troubled by another rise in bond yields, which was spurred by renewed concern among fixed-income investors about the fiscal policies of a Clinton administration.

The story of the day, however, remained the weakness in IBM and Philip Morris which, along with Westinghouse (which also fell sharply), accounted for most of the losses on the Dow.

IBM ran into heavy selling from the outset, plunging to new lows for the year as the negative reaction to the company's third quarter performance intensified. By afternoon IBM had fallen 3.3% to \$99.94 in turnover of 3.6m shares.

Philip Morris suffered under a stampede of sellers, dropping 3% to \$78.14 in turnover of 7.4m shares, although there were signs of buying support when the shares reached \$75. The stock has been sold on disappointing news about domestic cigarette sales.

Westinghouse was also a feature, falling 1% to \$11.14 in turnover of 3.8m shares on concerns about the company's credit unit could continue to affect earnings.

TRC fell 1% to \$12 after the company reported fiscal first quarter profits of 16 cents a share, a modest improvement on the 15 cents a share earned a year ago but some way below analysts' expectations.

Cray Research fell 2% to \$20.04 on the news that the company plans to cut 65 jobs, resulting in a one-off \$40m charge to fourth quarter earnings.

On the Nasdaq market, Apple rose 2% to \$148.14 in turnover of 2.3m shares in the wake of a 23 per cent surge in fiscal fourth quarter profits to 81 cents a share. The company also reported strong sales of its PowerBook notebook computers, and announced plans for an aggressive new product release schedule for the coming fiscal year.

Everex Systems dropped 1% to \$1.41 after the company estimated it would report a loss of \$35m in the fourth quarter which ended in early August and revealed that it was in violation of some loan agreements.

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Milan's recent rise perplexes the analysts

Haig Simonian asks whether this is the start of a long-awaited recovery, or just a technical rebound

A big question mark is keeping Italy's equity analysts and investors awake at night. Does this week's sharp recovery in the Milan stock market signal the long-awaited turning point after its long decline or is it just a technical rebound?

"More mileage in Milan?", asks Ms Marie-Christine Keith of County NatWest in London, in her latest market briefing. The consensus among analysts is that the latest surge in share prices, which saw the Comit index jump by 20.13 points or 5.1 per cent to 417.70 this week, is largely technical, supported by a smattering of special situations.

But a few brokers believe that the climb could turn into a stampede if sentiment among Italian investors swings in favour of equities.

The main reason for the scepticism is that fundamentals remain very poor. "Judging by the surge in prices, you'd think Italy had turned the corner," says Ms Keith.

This week saw some parliamentary progress on the government's 1993 budget plans, while there was only a lukewarm response to the general strike called by union leaders.

But the Italian economy is hardly out of the woods. Even assuming that the budget is approved by the end of next month, the prime minister, Mr Giuliano Amato, will remain on a knife edge. His successful use of confidence motions to pass legislation has shown that members of parliament are unwilling to topple the government. But with a majority of just 16 seats in the lower house, his coalition remains at risk.

Short-term interest rates have edged down, raising expectations of a cut in the Bank of Italy's discount rate. However, the Bank will not want to risk a run on the lira, and analysts do not expect a reduction before the budget is passed. Long-term interest rates remain high, reflecting continuing concerns about currency risk and rising inflation.

Devaluation will help some companies' earnings next year. Mr Massimo Cenci, of the Milan brokers Milla-Sommara, thinks that the country has not paid enough attention to the potential boost. One leading bank estimates that gross operating profits should rise by 30 per cent in 1993 thanks to the currency's fall.

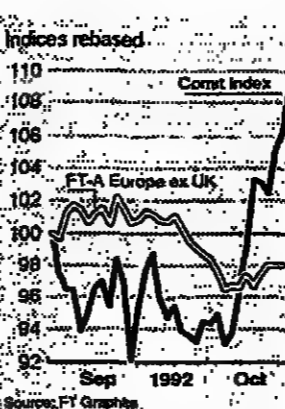
However, higher inflation on account of the devaluation,

high interest rates and a slowing economy will have a "dramatic effect" on corporate earnings next year, he says. Combined with the new tax on companies' shareholders' funds, there will be a "drastic cut" in profits.

Why then has the market risen so strongly? The cause is partly technical. Though turnover went up, especially in mid-week, the previous low volumes have exaggerated the climb in prices. Moreover, many professionals have been short of stock. "Until recently, the market was oversold," says Mr Pigoli.

Milan has also regained some of the speculative fizz that evaporated over the summer, when negative news like Moody's decision to downgrade the state's credit rating and the bungled handling of the ERM liquidation seriously undermined the country's credibility.

Since then, the market has received a fillip from privatisation news and plans to suspend capital gains tax for one year. Speculative trading is most active in privatisation stocks, notably Credito Italiano and Nuovo Pignone. Yesterday, shares in Credito Italiano were



Source: FT Computations

But other analysts think the outlook for profits remains bleak. "The first half has been awful and we know what to expect for the year," says one.

Mr Sergio Pigoli, of Pastorelli in Milan, is particularly bearish about the overall economic outlook. He admits that devaluation will help a handful of companies such as Benetton and Eridania, which produce partly outside Italy, and are heavy exporters. Insurers with strong foreign earnings such as Ras and Generali also stand to gain.

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EUROPE

UK base rate cut fails to lift continental bourses

NEWS of a further cut in interest rates in the UK failed to enliven continental bourses, writes Our Markets Staff.

FRANKFURT traded quietly as options expired, the DAX index rising 8.18 to 1,481.81, up 1.5 per cent on the week.

In carmakers, where downgradings have been rife recently, Daimler led with a DM5.50 gain to DM458.50 as BZW put the stock on its "buy" recommendation list after four weeks of relative underperformance.

RWE, in utilities, closed DM4 higher at DM385.50, helped by Thursday's DMI rise in its dividend. But in engineers, where the industry association was gloomy in statements both on

FT-SE Actuaries Share Indices

October 16									
THE EUROPEAN SERIES									
Index	Open	High	Low	Close	Change	Open	High	Low	Close
FT-SE 100	10401	10535	10456	10501	+59	10401	10535	10456	10501
FT-SE 250	10647	10872	10672	10701	+154	10647	10872	10672	10701
FT-SE 350	10647	10872	10672	10701	+154	10647	10872	10672	10701
FT-SE 450	10647	10872	10672	10701	+154	10647	10872	10672	10701
FT-SE 550	10647	10872	10672	10701	+154	10647	10872	10672	10701
FT-SE 650	10647	10872	10672	10701	+154	10647	10872	10672	10701
FT-SE 750	10647	10872	10672	10701	+154	10647	10872	10672	10701
FT-SE 850	10647	10872	10672	10701	+154	10647	10872	10672	10701
FT-SE 950	10647	10872	10672	10701	+154	10647	10872	10672	10701
FT-SE 1050	10647	10872	10672	10701	+154	10647	10872	10672	10701

Thursday and yesterday, MAN dropped DM8 to DM250 after news of a big fall in its order book.

PARIS rose to the day's highs on the back of the UK rate cut but reports, quickly dismissed, that President Francois Mitterrand had been taken ill and a poor start on Wall Street took it to the day's lows just

before the close. The CAC-40 finally ended up 14.16 at 1,664.18 after a high of 1,683.73 and a low of 1,650.84, in improved turnover of FF1.9bn.

Euro Disney fell another FF4.70 to 6.3 per cent on FF478.76 on selling by UK traders following a negative report in a UK newspaper and a statement from Euro Disney's chair-

man that remarks about help from Walt Disney had been taken out of context.

Moulinex dropped another FF3.35, or 10.4 per cent to FF280.65 as analysts decided that the company's real half loss was nearer FF50m than the FF11m reported late on Thursday and reduced their earnings forecasts accordingly. Dealers reported heavy selling from UK fund managers who had large positions in the stock.

STOCKHOLM eased in thin trading and the Allshare index fell 0.7 to 861.6, down just under 2 per cent on the week, in turnover of SKR250m after SKR34m.

B shares in MDO dropped SKR17 or 17 per cent to SKR58 after the forestry group

revealed an eight-month pre-tax loss of SKR31m. Trelleborg's eight-month pre-tax profit fell of 96 per cent to SKR11m in line with expectations, and the shares eased SKR0.50 to SKR18.

BRUSSELS was supported by interest rate-sensitive shares but Petrofina weighed heavily on the market. Petrofina dropped as low as BF7,470 on a series of negative news reports before closing down BF130 at BF7,600. The Bel20 index rose 2.66 to 1,094.45, little changed on the week.

ZURICH was prepared to go higher but a weaker Wall Street opening brought the SMI index off its highs to close up 5.5 at 1,563.5, a fraction better on the week. MADRID's rise on the day, 2.78 to 159.96 in the

general index, restored what it had lost earlier in the week.

AMSTERDAM ended mixed in thin trading, as selling from the options market and Wall Street pulled some share prices down. The CBS Tendency index fell 0.6 to 105.5, down 2.1 per cent on the week.

HELSINKI bought on the bad news, and on lower domestic interest rates, the Hex index rising 11.4 to 822.1, up 2.3 per cent on the week. The banks and finance index was up 6.4 per cent on the day after several interim losses on Thursday.

VIENNA's ATX index gained 3.31 to 783.01, up less than 1 per cent on the week. The expiry of October futures and options contracts enlivened the market.

ASIA PACIFIC

Nikkei loses ground in low volume

Tokyo

AN overnight fall on Wall Street and diminished hopes of a co-ordinated interest rate cuts by Germany, US and Japan, depressed investors, writes Emilio Terrazono in Tokyo.

Share prices lost ground on late index-linked selling and the Nikkei averaged fall 58.86 to 17,369.51, but was 1.3 per cent higher on the week. The index rose to the day's high of 17,617.15 on buying by public funds, but saw a low of 17,300.50 in late trading on a fall in the futures market.

Volume rose to 220m shares from 192m. Losers led gainers by 601 to 316 with 181 unchanged. The Toxix index of all first section stocks fell 13.36 to 1,313.37 and, in London, the ISE/Nikkei 50 index rose just 0.03 to 1,055.52.

Mr Peter Tasker, strategist at Kleinwort Benson, said that the recent low volume reflected the view that share prices are too high for aggressive buying, with the outlook

on the economy still weak. On the other hand, with public funds waiting to buy at the lower end, investors are wary of selling heavily.

High-technology issues were depressed on weak IBM earnings overnight. NEC plunged Y19 to Y706 and Hitachi lost Y14 to Y746. Pioneer Electronics fell Y180 to Y2,670 on rumours of sharply lower interim earnings than originally expected.

China-related stocks were active ahead of the Emperor Akihito's visit to China on October 23. Yaohan Japan, the retail chain, rose Y70 to Y1,450 and Bando, the toy maker, gained Y40 to Y2,650.

Profit-taking pushed down pharmaceutical and chemical issues, which have been popular on the Aids and Interferon themes. Inabata fell Y20 to Y1,140 and Green Cross declined Y30 to Y1,530.

Leading large capital issues which were previously bought on speculation of buying by public funds, fell on profit taking. Mitsubishi Heavy Industries lost Y11 to Y563 and Kawasaki Steel fell Y1 to Y295.

In Osaka, the OSE average fell 78.83 to 19,071.33 in volume of 10.5m shares.

Roundup

THERE was only one serious winner in the region yesterday. HONG KONG staged the 6,000 level again, but pulled back on profit-taking to close with the Hang Seng index 7.68 higher at 9,965.33, 6.9 per cent higher on the week.

Aggressive rotational buying by overseas institutions swept up property and utility lagers including Cheung Kong and Hongkong Telecom, which rose by 3.3 per cent and 3.5 per cent respectively.

AUSTRALIA continued its week-long fall, the All Ordinaries index closing 19.3 lower at 1,415.9, its lowest close since March 1991, and 3.2 per cent lower on the week. Turnover was at the highest level of the week, with \$427m worth of shares traded.

NEW ZEALAND ended marginally lower the NZSE-40 index ending 3.92 down at 1,373.95 in turnover of \$18m.

Lion Nathan, a star performer over most of this year, ended 11 cents down at NZ\$4.30. Its exposure to the Australian economy, an increasingly bitter legal wrangle over its purchase of National Breweries from AGIL and rumours of an earnings downgrade by one New Zealand broker were blamed.

TAIWAN finished lower but financials were up on moderate buying in three state-run commercial banks. The weighted index closed 21.84 lower at 3,707.15, but up 2.3 per cent on the week, in turnover of T\$18.8bn after T\$23.4bn.

BOMBAY's brokers went back to a trading boycott after more than 200 tax officials raided the offices of over 20 brokers, because of their suspected involvement in Bombay's stocks and securities scandal.

They said that they had stopped trading because they were not sure whether deals would be honoured. On Thursday, the BSE had registered its fourth consecutive decline, closing 19.13 lower at 3,086.45.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS										DOLLAR WEEK									
THURSDAY OCTOBER 15 1992										WEDNESDAY OCTOBER 14 1992									
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)			
Australia (68)	121.93	-1.1	105.89	92.37	91.46	111.99	-0.9	4.35	122.90	106.99	94.00	93.45	113.01	113.38	121.53	108.24			
Austria (16)	154.77	+0.7	134.85	117.64	116.47	116.62	-0.1	2.42	153.74	133.33	117.59	108.57	118.79	118.70	139.27	126.76			
Belgium (42)	141.77	+0.2	123.63	107.76	106.69	104.54	-0.5	5.89	141.48	108.57	100.27	105.87	108.27	108.27	132.88	116.27			
Canada (114)	112.97	+0.0	96.44	85.87	85.01	102.13	-0.1	3.46	112.99	97.59	86.42	85.91	102.19	142.12	112.57	108.24			
Denmark (33)	138.48	+0.6	122.92	100.85	100.39	101.02	-0.3	1.89	137.90	117.11	100.91	100.02	115.48	273.94	133.54	248.79			
Finland (15)	58.88	+1.5	51.30	44.76	44.31	57.27	+1.5	2.48	58.03	50.33	44.39	44.12	58.45	89.09	52.84	85.35			
France (101)	149.20	-0.1	130.00	113.40	112.27	115.14	-1.0	3.92	149.37	108.57	100.27	105.87	108.27	139.27	126.76	126.76			
Germany (64)	110.33	+0.9	96.14	85.87	85.03	102.08	-0.2	2.76	109.39	94.87	83.66	83.17	83.17	126.69	106.42	103.14			
Hong Kong (53)	245.32	+1.6	213.75	188.47	184.62	243.39	+1.7	3.65	241.08	209.08	184.29	183.31	238.27	259.55	178.35	165.57			
Ireland (16)	126.28	-0.1	116.73	105.57	102.54	106.93	-0.8	6.12	136.54	118.34	104.28	106.88	106.76	173.71	135.29	168.68			
Italy (77)	56.75	+1.8	49.45	43.14	42.71	54.38	+1.1	3.82	56.75	49.45	42.71	42.71	54.38	85.35	49.45	85.35			
Japan (472)	110.24	+1.3	98.08	85.87	85.03	102.08	+0.6	1.02	108.86	94.41	83.26	82.78	83.26	140.98	87.27	145.15			
Malaysia (69)	251.19	-0.1	213.75	188.47	184.62	243.39	-0.2	2.70	251.50	216.12	192.36	191.22	245.54	251.50	212.49	198.16			
Mexico (15)	125.19	+0.6	114.61	102.87	102.88	104.98	+0.6	1.34	131.39	113.73	103.03	103.12	149.48	178.67	118.54	130.76			
Netherlands (23)	162.57	+0.5	141.65	123.57	122.34	121.02	-0.4	4.69	161.81	140.33	128.97	129.12	162.57	162.57	132.88	126.76			
New Zealand (14)	36.61	0.0	36.14	33.07	33.03	33.75	-0.1	3.92	40.71	34.70	30.60	30.60	40.71	65.32	35.97	40.71			
Norway (22)	138.76	-0.2	119.16	103.95	102.92	105.98	-2.5	2.20	139.39	120.89	106.82	105.99	112.81	192.95	138.04	185.87			
Portugal (13)	184.80	-0.5	161.02	140.47	139.07	136.73	-0.8	2.41	185.80	161.14	142.11	141.27	185.80	229.63	180.71	185.87			
South Africa (60)	51.70	+0.6	52.18	51.53	51.14	51.49	-2.4	3.62	50.83	50.81	51.39	51.39	51.44	53.54	49.29	50.81			
Spain (40)	112.70	+0.3	93.20	89.68	84.81	88.95	-0.4	6.75	112.70	85.57	85.45	85.45	88.95	161.70	110.05	150.89			
Sweden (31)	154.57	-0.9	134.68	110.12	108.12	110.12	-0.5	1.55	155.98	130.28	119.31	118.00	127.06	200.26	144.89	178.72			
Switzerland (46)	154.57	-0.9	134.68	110.12	108.12	110.12	-0.5	2.30	151.79	100.42	88.57	88.06	93.61	122.07	95.98	97.70			
United Kingdom (228)	117.17	-1.8	148.15	120.10	128.81	141.05	-1.2	4.91	173.98	150.99	133.03	132.28	150.99	200.07	164.98	133.38			
USA [522]	167.29	+0.0	146.77	127.17	125.90	167.29	+0.0	3.04	167.28	145.05	125.93	127.16	167.28	173.39	160.22	159.24			
Australia (781)	138.08	-0.5	120.32	104.98	103.92	112.41	-0.8	4.18	138.71	126.30	108.10	106.47	113.27	156.86	138.34	138.34			
Norfolk (101)	144.49	-0.5	125.90	109.80	108.72	110.44	-1.2	2.67	145.20	125.93	111.06	110.40	111.80	148.92	141.24	177.46			
Pacific Basin (714)	114.59	+1.1	99.84	87.10	86.23	89.48	+0.6	1.36	113.30	98.26	86.66	86.16	88.51	141.97	93.72	141.97			
North America (1455)	124.09	+0.0	104.13	94.32	93.98	95.98	+0.0	2.83	123.59	101.18	90.18	89.18	101.18	124.09	124.09	124.09			
Europe - America (636)	169.91	+0.4	142.83	124.61	123.36	126.36	+0.4	3.68	169.91	142.83	124.61	123.36	126.36	169.91	169.91	169.91			
Europe Ex. UK (63)	110.77	+0.1	96.14	85.87	85.03	102.08	+0.1	2.76	110.77	96.14	85.87	85.03	102.08	110.77	110.77	110.77			
World Ex. US (1687)	124.70	+0.2	108.69	91.52	91.82	101.84	+0.3	3.74	124.70	108.69	91.52	91.82	101.84	124.70	124.70	124.70			
World Ex. UK (1981)	134.88	+0.5	117.61	102.60	101.59	118.05	+0.1	2.56	134.74	116.51	102.60	101.59	118.05	134.74	134.74	134.74			
World Ex. So. Af. (2149)	138.13	+0.2	120.96	105.01	103.96	120.82	+0.0	2.81	138.13	120.96	105.01	103.96	120.82	138.13	138.13	138.13			
World Ex. Japan (1739)	154.18	-0.1	134.25	117.21	116.05	142.80	-0.3	3.49	154.38	133.89	116.05	114.27	142.80	154.38	154.38	154.38			
The World Index (2295)	138.12	+0.2	120.36	104.99	103.95	120.85	+0.0	2.81	137.77	119.48	106.38	104.78	120.85	153.70	130.86	147.26			

LONDON SHARE SERVICE

AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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FINANCIAL TIMES

Weekend October 17/October 18 1992

MoDo
PULP, PAPER &
PAPERBOARD

Mine equipment makers fear 120,000 job losses

By Michael Cassell,
Business Correspondent

THE FALL-OUT from this week's pit closure announcement spread yesterday with a warning from colliery equipment manufacturers that up to 120,000 additional jobs could quickly be lost in the wake of the British Coal decision.

Coal industry suppliers expressed astonishment at the decision, which they said had thrown business plans into chaos and threatened widespread redundancy.

Some companies said British Coal had already cancelled orders and was trying to stop other orders which had been despatched by suppliers.

The Association of British Mining Equipment Companies said the closure decision threatened tens of thousands of jobs among its own members and within associated industries.

Mr Bill Morrell, director general of Abmec, said member companies, with a combined turnover of £900m a year, were "absolutely appalled" at the pit closures.

Companies had been supplying

a declining coal industry and many, as a result, had reduced their dependency on the sector. But the decision would still be catastrophic, "it has taken our breath away," he added.

Mining equipment manufacturers around the country yesterday warned of reduced capacity and skills which would damage export opportunities.

Many doubted that the remaining pits would still provide new orders as modern, state-of-the-art equipment would be shifted from closed collieries.

British Coal's central stocking system meant that the company already held extensive supplies.

Mr Adrian Parsons, managing director of Century Oils Group, which supplies fire-resistant hydraulic fluids and gear box lubricants to British Coal, said the prospect of a 50 per cent cut in sales next year meant certain job cuts.

Mr Philip Kelleth, company secretary of Morley Electrical Engineering, the West Yorkshire-based company which supplies industrial motors to British Coal, said the pit closures would have

meant collapse for the company if it had not diversified into new products and markets.

Mr David Hind, technical director of Senior Davis Derby, which supplies signalling and monitoring equipment to British Coal, said the workforce was "shattered" at the decision.

The company, which employed about 600 people 10 years ago, now has 170 employees. Mr Hind said the pit closures inevitably meant further job losses.

He added: "The miners who will be at least benefit from some comparatively generous redundancy payments. But people in supplier industries who are about to lose their jobs will not be so fortunate."

Mr Adrian Buckmaster, chairman and chief executive of MECO International, a Worcester-based maker of conveyor systems, said his company had already made 500 UK workers redundant since last summer.

There would be no immediate job cuts but the outlook depended on investment plans for those pits which remained.

Pit closure hearings to take place before first lay-offs

By John Mason

THE LEGALITY of British Coal's pit closure programme will be fought out in a series of hearings to be held through the courts before next Friday when the corporation is due to issue its first redundancy notices to more than 5,000 mineworkers.

A timetable for the hearings - which will take place alongside mounting public campaigns and a parliamentary debate on the proposed closures - was set after British Coal announced in the High Court yesterday that no redundancy notices would be issued for another week.

The National Union of Mineworkers and Nacods, the pit deputies union, which are bringing the main action against British Coal, said the announcement was "an enormous and significant commitment".

"This means a further week will go by during which the men will still have jobs," Mr Mark Stephens, the unions' solicitor, said after the hearing.

However, British Coal denied that it had conceded any ground, insisting it had always intended to issue notices next Friday and that the pit closures would go ahead as planned.

"British Coal wishes to make it clear that the closure programme continues and that there is no legal basis to stop it," Mr Charles Falconer QC told the court.

The unions claim that British Coal has failed to comply with European and UK law and the colliery review procedure in not consulting its workforce before implementing the closures.

The case will be heard in the High Court on Tuesday. Whatever the result of the hearing, it is certain to be referred to the Court of Appeal for a second judgment before Friday.

In a separate case, the Union of Democratic Mineworkers won leave to seek a judicial review of British Coal's decision to close seven Nottinghamshire pits and one in Derbyshire.

Mr Justice Roch ruled that the union had an arguable case on the basis that British Coal's action was allegedly unreasonable, irrational and disproportionate and that proper consultation procedures had not been followed.

The UDM case will be heard after that brought by the NUM. Mr Roy Lynk, the UDM's president, yesterday continued an underground sit-in at the Silverhill colliery in Nottinghamshire in protest at the planned closures. Two Tory MPs who tried to visit him, Mr Winston Churchill and Mrs Elizabeth Peacock, were prevented from going down the mine by British Coal.

Lamont cedes a point

THE LEX COLUMN

Yesterday's 1 point cut in base rates can be summed up as the right decision for the wrong reason. As recently as Monday, when sterling closed at DM2.5125, the chancellor promised to take the exchange rate into account when setting monetary policy. When he cut rates yesterday, it was some five pence lower. The decision smacked of political pressure. The satisfaction the equity market might have taken is offset by the realisation that policy has become as unpredictable as the government's relationship with its own backbenchers.

Moreover, it is doubtful whether a low interest rate policy can be sustained without serious damage to sterling. Euro-sterling rates have not fallen below their D-Mark equivalent since the spring of 1981. During the following autumn base rates were raised from 12 to 16 per cent. That pattern need not be repeated this time because the government may be resigned to sterling weakness, and because German rates should be falling next year. But it still suggests there is a limit to any further cuts.

One explanation for the equity market's lukewarm response is that currency risk will deter overseas investors at a time when UK institutions are pretty fully invested in shares. A weaker currency may also prompt the government to hear down even more heavily on public spending and the PSBR which would be bad for growth. Perhaps it is because recovery prospects are still so bleak that the gilt market sailed through yesterday with such ease. Yet currency risk is as much a cause for concern in gilts as it is in equities.

RHM/Hanson

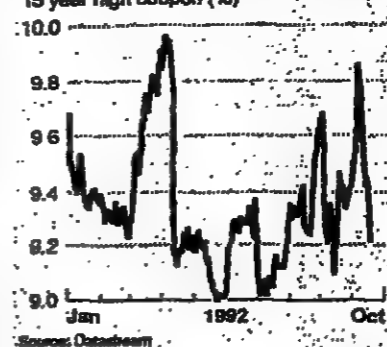
It is peculiar that RHM managed a gain of only 2 per cent yesterday after announcing a demerger designed to unlock shareholder value from its brands. If there were that much value to be unlocked, then presumably the shares would have risen much more. The company's supporters may argue that the small rise reflected profit-taking by speculators who are not prepared to hold on for a long ride. Maybe there is also now less risk of the shares falling back towards last month's low of 130p if Hanson walks away. But the decision to unbundle is a tacit admission that there is little prospect of a rival bid for the group as a whole. It does not put Hanson under any particular pressure.

RHM was always going to have to

FT-SE Index: 2563.9 (+17.3)

UK Gilt yield

15 year high coupon (%)



Source: Datastream

make some effort to persuade Hanson to increase its 230p offer. Demergers can sometimes tip the balance against a bid - as was the case with last year's Williams' bid for Racal - but it is unlikely to do so in this case. The theory is that existing shareholders will benefit from the valuation premium on change of control. But the demerger plan is still only in outline form. Who knows what the individual companies will be worth once it is complete?

One cannot judge all brands by the 26 times multiple Philip Morris is paying for F&L Marabou or the 23 times Campbell's Soup is offering for Arnotts of Australia. RHM does own a few strong names such as Sharwood's, but most are national brands. Many have seen better days. It is hard to imagine Bisto or Atona suet taking the European single market by storm. Unless buyers are found for the demerged units, the brands will be managed by the same people who have been in charge so far. Hanson may well have to increase its offer but not by much before it will pay shareholders to take the cash and run.

UK gilts

Government borrowing figures released yesterday confirm that public sector finances are in a mess. Not too much can be read into the sharp increase in expenditure during September, since this is a volatile figure. More worrying for the gilt market are signs that the recessionary squeeze on revenue is accelerating: income tax receipts were sharply lower last month, reflecting falls in employment. It is surprising that gilts should treat

this news with such equanimity.

Deepening gloom about the prospects for growth and equities may be an explanation, prompting institutions to switch into bonds. Interesting, though, that long gilts should rise again after yesterday's base rate cut. The continued demand for index-linked gilts - evidenced by yesterday's £400m issue - certainly suggests the market retains a healthy degree of scepticism about the chancellor's promise to bear down on inflation.

Without firm action to bring the PSBR under control, the gilt market may find its optimism impossible to maintain. PSBR forecasts of more than £40bn next year may be premature, but funding on any where near this scale would place upward pressure on yields. The government may conclude that higher long gilt yields are a small price to pay for the political advantage of lower mortgage rates. A deficit of perhaps 6 per cent of gross domestic product would be easy to fund if the markets had confidence in the government and in sterling. Both commodities are in short supply.

Japanese banks

The Japanese authorities have good reason to study the 1974 British secondary banking collapse then, it is Japan's smaller banks which are first in the firing line. Yesterday Ugo and Akita Akebono banks merged after a slump in Akita's profits. More mergers are sure to follow, particularly among weaker trust and regional banks.

The government's reluctance to finance a bailout is understandable given public opposition. Yet it seems unlikely the private sector lifeboat under construction will prove equal to the task. Even by reasonably conservative estimates, the banks have ¥30,000bn (£148bn) of bad property loans. They cannot afford to write off that amount over the next few years.

Perhaps tax relief may be given on bad loans put into the lifeboat, and the Bank of Japan may indirectly make money available at preferential rates. This would help, but only rapid economic growth or a strong stock market would generate the profits banks need to repair the damage. Neither is likely. The economy is still in trouble as yesterday's industrial production figures underline, and August's economic package may be of limited help. It may take the imminent prospect of bank failures to break the consensus against government intervention.

Goodness Gotham, it's your chance to be caped crusader

By Michio Nakamoto

VIDEO game enthusiasts will soon be able to put themselves in Batman's shoes to exchange blows with the Penguin or cuddle with Catwoman. Or they could choose to make a music video using film footage of popular rock musicians.

Sega, the Japanese electronic games manufacturer, this week unveiled a compact disc-based video games system which will allow users to interact with characters in Hollywood films as well as with popular bands on video.

The system is the first to bring realistic, digitised video film games to the consumer market.

The videos and films Sega will incorporate into its new games will initially come from the libraries of Hollywood studios, such as Warner Brothers, and music video publishers, including Sony Electronic Publishing, with which the company simultaneously announced a strategic alliance to develop CD-based games.

"Up to this point video games have been animated characters. Sega CD allows players to control real actors. It's like being in a movie theatre and controlling the actors on the screen," says Mr Doug Glen, group marketing director.

Sega has also set up a multimedia studio in Redwood City, California, and is filming a game alongside Steven Spielberg, on the set of his film *Jurassic Park*. The game will be launched at the same time as the film.

Video games are increasingly expected to be based on CDs, which offer better sound quality, graphics and greater storage capacity and manipulating power than the games cartridges currently in use.

Nintendo, Sega's main competitor, announced this week it would launch a CD-based games system in the US and Japan in August 1993. Philips, the Dutch consumer electronics group, offers CD-based video games on its interactive CD-I machine.

Sega will launch its system in the US next month at a suggested retail price of \$399 (£173.80).

Digital's bright dawn, Page 11



Lighter moment: During the second debate President Bush (foreground) smiles rivals Mr Ross Perot (left) and Mr Bill Clinton, who remains ahead in the polls US election, Page 3

Interest rate

Continued from Page 1

The timing of the announcement - three days after the Bank had signalled that imminent interest rate cuts were unlikely - unsettled some investors. Reflecting this, the pound was initially marked down against the D-Mark on the foreign exchanges by 3 pence to a low of DM2.438. It recovered slightly, closing in London at DM2.4475 for a loss of 1 1/2 pence on the day.

Against the dollar, the pound lost more than 4 cents, closing at \$1.6970.

On the London stock market, shares initially gained but fell back later, with the FT-SE 100 index of leading shares closing up 17.3, at 2,563.9, after at one point being 41 points ahead. Gilts closed up to a point higher.

EC openness pledge

Continued from Page 1

was "on the European train", everybody wanted to ratify Maastricht, and carry it out without changes. "The summit sends a message of confidence."

Mr Albert Reynolds, Irish prime minister, described Birmingham as a low-key but workmanlike summit. "The 12 agreed to press ahead with ratification. Those are the words I wanted to hear."

In a self-critical draft declaration, the 12 leaders pledged to make the EC more open, to respect national culture and traditions, to keep the public better informed, and to make clear that "citizenship of the union brings our citizens additional rights and protections without in any way taking the place of their

national citizenship".

Mr Major told his EC partners: "Unless we have the people with us, our enterprise will not succeed. We need a clear declaration of political intent, with the promise of substance when we meet again in Edinburgh [in December]."

But efforts by the UK and Germany to curb the powers of the European Commission have all but foundered on an alliance between smaller member states who view the Commission as their guardian.

British attempts to press the Commission to agree automatically to consult national capitals before proposing legislation were diluted, according to the declaration which foresees decisions on new working practices at the next EC summit in December.

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MARKETS

London Markets

Troubling memories of the 1930s

By Peter Martin, Financial Editor

WHO WROTE this, and when? "It is now fairly obvious that we are on the downward slope of an international credit cycle. The intensity of our own problem today is due to the fact that we now have the influence of this international depression superimposed on our own pre-existing domestic troubles. A year or two ago our troubles were primarily domestic; now the international problem is at least equally important."

Those words come from John Maynard Keynes, in the spring of 1930. They describe the dilemma of the Major government as accurately as that of Ramsay MacDonald's. And they cast an intriguing light on the events of the past week.

On Friday, for example, a 1 per cent cut in UK interest rates resulted in only a 17.3 point rise in the FT-SE share index, because the market had a nervous eye cocked at Wall Street's jitter. And earlier in the week, while the job losses at British Coal monopolised

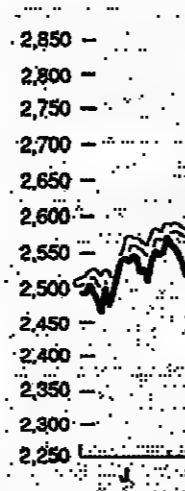
the attention of the UK press, Siemens and BASF were adding several thousand jobs to the steady stream of labour reductions at big German companies.

Back in 1930, Keynes was a vigorous participant in the debate - which raged over the next two years - about whether Britain should seek to escape through devaluation from a fixed exchange rate system; and, once that had taken place, what post-devaluation policy should be.

In the passage quoted earlier, he summed up one particularly intractable aspect of the problem: the way in which a UK economic crisis, caused by the failure of domestic policies, had been made much worse by a global depression.

At the time, though, it was often hard to disentangle the domestic and the international aspects of the crisis, the economic and the political. Just so this week, as headlines about the EC emergency summit at Birmingham have jostled for prominence with those about

FT-SE 100



Source: Datastream

FT-SE 250



Source: Datastream

the closure of more than half British Coal's mines. In the background, however, lies a worsening economic picture almost everywhere. J.P. Morgan, the big US bank, has nearly halved its forecast for growth in the industrialised world next year, to 1.2 per cent. Within that, forecasts for economic growth in Britain's most important group of trading partners, its fellow members of the European Community, range from a high of 0.9 per cent in Spain to a low of minus 0.5 per cent in the western part of Germany.

Of course, though these estimates may still prove to be optimistic, they are not the world-wide slump that Britain had to cope with in the early 1930s. Equally, however, they offer little immediate hope that the British economy can be nudged back to prosperity by expansion elsewhere. Forced to rely, therefore, on

estimates of the likely impact of domestic policy, the market has responded by sitting on its hands. After the immediate sharp rise that followed sterling's escape from the ERM, the FT-SE index has moved sideways, closing on Friday at 2563.9, 3.1 points below the level at which it closed the week of sterling's ERM suspension. It is still 173.9 points below the level of 2737.8 reached in May this year. Adjusted for inflation, it has lost nearly a third of its value since the summer of 1987.

Another sign of the times is the performance of the gilt market, where long-term interest rates jumped nearly a full percentage point in the fortnight after sterling's departure from the ERM, to 9.6 per cent, reflecting fears of higher inflation. Since October 6, however, they have been falling: the 9 per cent gilt maturing in 2006 closed at 8.97 per cent, down a quarter-point on the week.

One possible explanation for the relatively strong performance of long gilts in recent days might be that investors were confident that the government had a long-term plan for controlling inflation. However, since most investors think about the performance of the government is unprincipled, that is unlikely to be the right answer. One explanation could be that fixed-income investors believe the economy is now so depressed that no amount of short-term political expediency will raise the risks of inflation. Confusion might be as likely a cause, since prices of index-linked gilts also rose yesterday. The gloom over the domestic economy is reflected in the performance of the two indices shown in the chart. One of them, the FT-SE 100, is the

familiar index of the UK market's biggest stocks. The other, the FT-SE 250, is the new index that captures the performance of the next 250 companies - again ranked by market capitalisation. Over the course of the year, there have been quite big swings in the performance of the two indices, reflecting the balance of investors' expectations about whether the big international stocks in the FT-SE 100 would do better than their more domestically oriented counterparts in the FT-SE 250.

Over the past week, the pattern has been one in which a drop in the FT-SE 100 index is exactly mirrored by a drop in the FT-SE 250; but a rise in the FT-SE 100 attracts only a feeble imitation from the Mid 250. As a result, though the FT-SE 100 is only 6 per cent or so adrift of its May high, the Mid 250 is more than 15 per cent below the figure it reached then. FT-SE 100 stocks, many of them big overseas earners, are clearly seen as better insulated from the woes of the British economy than their mid-sized counterparts.

One FT-SE Mid 250 company, RHM, this week failed to do much to help the index. It announced its response to a \$180m all-cash takeover bid from Hanson: a demerger into three parts. To strengthen the weakest of those parts, the baking and milling division, it agreed to buy Federal Bakeries from Dalgely. Though the demerger offers shareholders, in principle, the opportunity to profit themselves from any value released by the break-up - rather than handing it over to Lord Hanson - the market appeared disappointed. RHM's shares rose only 5p to 246p, 38p above Hanson's cash offer.

Serious Money

Savers need a new economic policy, too

By Philip Coggan, Personal Finance Editor

THE BASE RATE cut may be good news for mortgage payers but it represents another blow to those savers who keep all their cash in the building society.

As banks and building societies cut their rates over the next few weeks, many savers may see their gross rates fall below 7 per cent. For a top rate taxpayer, that may mean a net return of 4 per cent, scarcely ahead of inflation.

"Building society investors are being squeezed at both ends with their incomes falling and the real value of their capital still being eroded by inflation," says Clive Scott Hopkins, of Town Law.

With some predicting that base rates may need to fall to 6 per cent if the government is to have any hope of reviving the economy, the problems for savers are set to grow.

For many, this is a culture shock. Building societies have offered very attractive rates over the past few years and savers have been able to ignore the alternatives, especially as shares have effectively gone nowhere since July 1987.

However, if they want to avoid a drop in their standard of living, savers are going to have to consider some wider choices.

One simple and relatively secure option is suggested by James Higgins, of financial advisers Chamberlain de Broe. He suggests that small savers with £15,000 should keep £5,000 on deposit and place £10,000 in index-linked National Savings certificates, which offer a tax-free return of around 4.5 per cent plus inflation if held for five years.

Investors can then run down their deposits at a rate of over £1,100 a year. Since they are eating up their capital, this

income will be mostly tax-free. After five years, if inflation has averaged 4.5 per cent, then the certificates will have grown sufficiently to repay the original £15,000 of capital.

Another relatively secure investment field for those who need income is gilts. Many are priced above face value (and thus offer the investors the prospect of capital loss). But although gilt prices rose 1½ points yesterday some still offer yields of nearly 9 per cent, which could look a very handy return in six months.

Richard Boyton, of Boyton Financial Services, says that the base rate cut "doesn't much alter our medium term view that bonds and bond funds are still attractive. We

from day to day. After all, base rates are now almost half the 15 per cent level which the chancellor planned to impose on Black Wednesday, only a month ago.

But the saver needs to stand back from the current turbulence to get the right perspective. Only a few weeks ago, Britain's membership of the Exchange Rate Mechanism seemed to indicate that the country had entered an era of low inflation, low growth and low interest rates.

Now everything has changed. Whether the devaluation of sterling will lead to inflation, depends on which economist you ask. In the short term, there are strong deflationary forces at work; but the recent surge in index-linked gilt prices indicates that many investors feel inflation will eventually rebound. The government is certainly under immense political pressure to abandon its strong anti-inflationary stance and concentrate on dragging the economy out of recession.

In other words, we may be returning to old-fashioned British stop-go economics. And past experience has shown that, over the long term, shares have been the best performers in those conditions. So the smart investor cannot afford to ignore equities altogether. Shares offer the prospect of capital gain (which still has tax advantages for the vast majority) and rising income over the long term. Building societies offer neither.

Although the arguments about whether shares are cheap today are complex (see Page 11), investors should consider how they can gradually build up an equity component of their portfolios. Relying on the building society alone can damage your wealth.

We may be returning to old-fashioned British stop-go economics

also like the permanent interest-bearing shares (PIBS) issued by building societies and some of the zero dividend preference shares issued by investment trusts.

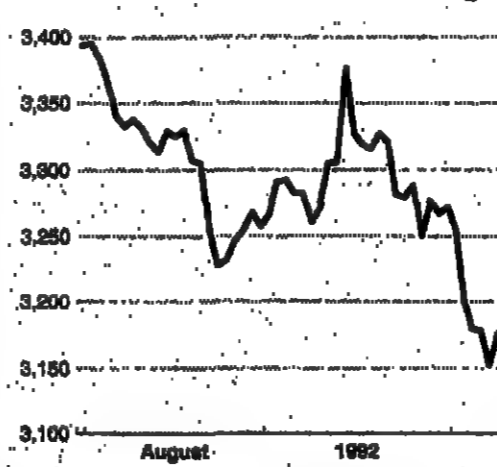
Clive Scott Hopkins says the answer for savers must be to move into gilts and to start moving into shares. He favours three products: a General Life-time Income Bond, which pays 8.5 per cent net, and is linked to War Loan; Barclays Sterling Bond Fund, based in Jersey, which invests in gilts and Eurobonds and pays income gross; and with profits bonds, where some companies are currently offering 9 per cent.

It is pretty difficult to set hard and fast guidelines for savers, if only because government policy seems to change

Wall Street

Traders prepare for Clintonomics

Dow Jones Industrial Average



Source: FT Graphs

common with a number of manufacturing companies they are expected to produce respectable third quarter results. If third quarter figures prove to be not too bad, however, it will be a reflection of cost cutting programmes, asset disposals and other rationalisation measures rather than an improving macro-economic picture. And that is precisely where the

issue of Clintonomics comes into play.

For two years US economists and supposed market pundits have been claiming that recovery was just around the corner. The short-term American mind-set of these forecasters has created misleading expectations and has contributed to an overvaluation of the equity market which reached its least rational peak at the start of

1992. As the reality of a painfully weak recovery has become apparent, the Dow Jones index is running at a level more than 300 points below the average of nearly 3,400 achieved in late July. As it should be.

Clinton has meanwhile successfully hammered the Bush Administration's absentee landlord approach to the US economy while at the same time offering his proposals for a kick-start during the first 100 days of his (likely) presidency. Largely Republican Wall Street, for its part, has become increasingly used to the prospect of a Clinton Administration.

What might this portend for the equity markets? There is an agnostic view as far as the deficit is concerned, with few believing Clinton will be able to chop it in half in just one four-year term. But when it comes to his public spending plans, there is reason to look more closely at specific industrial sectors.

Put simply, Clinton's likely

fiscal stimuli, aimed in part at job creation, should benefit companies involved in infrastructure works. That could mean a plus for construction and telecommunication stocks. The Democrat's expected focus on public spending in education and health care could also boost stock prices in the textbook publishing and hospital administration sectors. Ditto for environmental stocks.

The downside is that defence stocks and some pharmaceuticals could suffer from lower government expenditure and tighter price controls respectively. While equity investors may profit from a carefully selective review of those sectors likely to benefit from a Clinton presidency, the bond market could turn increasingly bearish if it thinks the fiscal stimuli would prove overly inflationary or would send interest rates higher again.

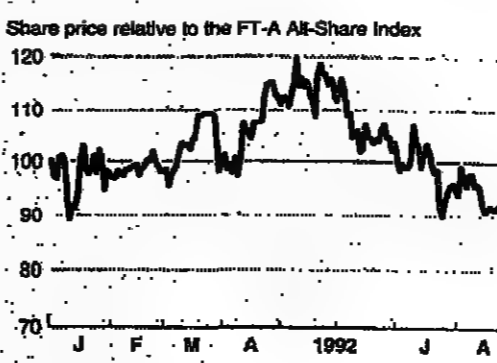
Alan Friedman

Monday	3174.41	+ 57.53
Tuesday	3201.42	+ 27.01
Wednesday	3195.42	- 05.00
Thursday	3174.68	- 20.74
Friday		

Bottom Line

Lucas wields jobs axe against predators

Lucas Industries



Source: Datastream

mate the positive and wants to maintain the full dividend payment of 7p next year, even though it is likely only to break even in the first half. Mustapha Omar, an analyst at Williams de Broe, said: "Despite the sensible strategy outlined to thwart a hostile

approach, the group is still vulnerable, because it was slow to rationalise its businesses during the recession to protect its operating margins, and as a result is inferior to its automotive peers GKN, BBA and T&N."

However, Omar points out

that Lucas's prudent approach to accounting - writing off all its R&D spending in the year it is incurred - had depressed its earnings and hence its market rating, thereby increasing the likelihood of a bid.

He adds: "We are not advocating that Lucas should deviate from its former path, but it is interesting to note that if Lucas capitalised 66 per cent of its R&D budget - like its prospective suitor Siebe - it would have reported pre-tax profits of £77.5m rather than £23.5m."

Monday's results caused the Lucas share price to close 4p higher at 94p, valuing the company at £662m. This mainly reflected relief that the company had dipped into its reserves to maintain the dividend payment of 74p. At the week's close of 99p, the shares were still well below last year's peak of 170p, which gave the

group a market capitalisation of £1.17bn.

Lucas hopes to raise £100m in the next year by selling peripheral concerns, such as its fluid power distribution business. Some analysts are sceptical that the company will be able to achieve the prices it wants on timetable in current market conditions.

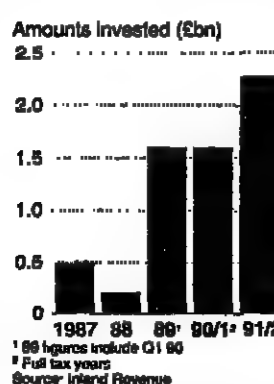
The chart illustrates the recent volatility of the stock, with Lucas outperforming the market during the post-election recovery and underperforming it during the recent collapse in confidence.

The high yield obviously reflects market doubts that the dividend can be maintained next year. Yet a failure to do so could well flush out prospective bidders. Given the shares' recent record, Lucas looks an interesting, if speculative, bet.

Andrew Bolger

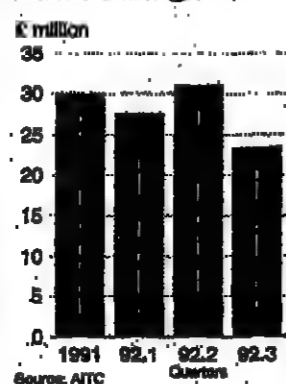
AT A GLANCE

PEPs



Source: Interfund Research

Trust savings



Source: AIC

Peps prove popular...

New figures for the amount invested in personal equity plans show that £2.26bn was invested in PEPs for the 1991-92 tax year, with more than 640,000 new general plans taken out. This is a rise of £350m from the previous year, when the amount invested was £1.91bn. The increase was caused in large part by new investment trust launches, which allowed the full annual limit of £5,000 to be put into a PEP. Changes announced in the Budget this year lifted the £3,000 limit on unit and investment trusts.

The Treasury also attributed last year's rise in investments to the introduction of single company PEPs. The total invested in general PEPs since their introduction in 1987 now amounts to more than £6bn.

Leeds fixed mortgage offer

Leeds Permanent building society was quick to react to yesterday's base rate cut, not with a mortgage rate cut of its own but with the introduction of a new fixed rate mortgage.

The fixed rate is 7.95 per cent for a two year period and replaces the 8.75 per cent fixed rate which was launched last week. The minimum loan is £15,000 and there is no maximum advance. The mortgage is available on all types of mortgages with an arrangement fee of £150. There is a redemption fee of two months' interest in the first year and one month in the second year. See Page 14.

Looking to Latin America

Edinburgh Fund Managers is launching a Latin American unit trust which aims to take advantage of the resurgence of economies in that area. The initial charge is 5.25 per cent and the annual charge 1.5 per cent. There is a bonus offer of 1 per cent of units purchased during the launch period, which lasts until October 23. The minimum investment is £500.

Perpetual is now offering its global bond unit trust to private investors, having made it previously available only to institutional holders. The minimum investment is £1,000; the initial charge is 5 per cent and the annual charge 1 per cent.

Bad week for smaller companies

It was another bad week for small company shares. The Hoare Gavett index (capital gains version) fell 0.5 per cent from 1059.73 to 1054.60 over the seven days to October 15, while the County Small Companies Index fell 0.8 per cent from 820.77 to 815.94 over the same period.

Gartmore launches trust

Gartmore is launching an emerging markets investment trust, which will invest in the single country funds sector. The trust will attempt to benefit from the discount to net assets on which shares in many such funds trade. The average discount for those funds which are listed in London but based overseas is 32 per cent. Gartmore is attempting to raise a minimum of £20m, in the form of a placing of shares at 100p, with warrants attached on a one-for-five basis.

FINANCE AND THE FAMILY

Luring small investors back into shares

Philip Coggan reports on the birth of ProShare, which was formed to promote the benefits of buying UK equities

FANCY a half-hour free consultation with a stockbroker? That is one of the perks being offered by a new body for private shareholders which was launched in the UK this week - the ProShare Association, which has been given financial backing by the Department of Trade and Industry, the Stock Exchange, and many leading companies.

This might not be the best time to persuade investors about the merits of equity investing. Monday is the fifth anniversary of the stock market crash, which could have frightened many savers away from shares forever.

The present economic news is hardly encouraging, either. Unemployment is rising rapidly and many of Britain's longest-standing companies are struggling to cope. But ProShare is relentlessly upbeat about long-term prospects. Its chairman, Sir Peter Thompson, even said at the launch that low inflation and falling interest rates would be bad news for fixed-interest securities - a view contrary to conventional investment thinking.

The new organisation points to the fact that, over the long term, equities traditionally have outperformed other investments such as gilts or cash. The graphic shows just how dramatic the difference can be. Someone who invested £100 in shares in 1945 would, with gross income reinvested, have £28,513 by now, the same sum in gilts would have grown to just £1,209.

Treasury bills were used as the best way to illustrate cash returns; it was only in the

1980s that competition in the building society market drove up savings rates to attractive levels. Even so, cash returns would have turned £100 into just £2,328. (The figures do not allow for dealing costs, but the disparity is too great for these to make much difference.)

Whether equities continue to do so well is a matter of considerable debate (see article below). And the sorry experience of investors during the past few years is that equity returns have been outstripped easily by the building societies.

Still, any organisation which can be a mouthpiece for private investors as well as an information provider has to be welcome. The stock market is so dominated by institutional investors that the small investor must feel like *Andorra* trying to compete with the superpowers.

The free stockbroking consultation might seem like a gimmick but it could at least prompt many people to investigate what often has seemed a stand-offish profession. About 60 brokers have agreed to take part in the scheme and a list of these will be sent to those who agree to join the association, for which membership will cost £30 a year.

In addition to meeting a broker, members will receive an investors' handbook, a monthly magazine, a portfolio record system, and vouchers for eight issues of the *Weekend FT*. Further perks will be added.

There is a free two-month trial period. Those interested in receiving more information can call 071-971-0061.

Investment returns

Today's value of £100 invested in 1945 (£)

Source: BZW



IF YOU DECIDE that the time is right for you to buy shares, how would you go about it and how much would you expect to pay?

Much depends on how much money you have to invest and what kind of service you expect. There are three basic types of stockbroking service:

1. Execution-only brokers, who

will buy and sell shares on your instructions but who cannot give advice;

2. Advisory brokers, who will transact deals and give opinions on the merits of shares;

3. Discretionary brokers, who will take charge of your money and invest it on the basis of their opinions.

These services are not available to everyone. If you want

the service of a discretionary broker, you may need a substantial amount of money to invest, probably in excess of £50,000 or so.

Execution-only brokers are far more accessible, but there are considerable risks involved. It is hard for experts to avoid being caught out by collapses at companies such as Polly Peck or Maxwell Com-

munications, so the amateur investor is even more exposed when picking stocks.

In addition, experts tend to agree that investors need a diversified portfolio of around a dozen shares to avoid the risk that one share might collapse.

Given the costs of dealing in small sums, this probably means that a sensible portfolio requires a minimum of £35,000. The individual should first make sure that he or she has rainy day savings in the building society and other investments, such as a good pension scheme.

Those with smaller sums do have ways of benefiting from the growth potential of shares - unit and investment trusts. Trusts hold a broad range of shares and thus give the small investor instant diversification. Management charges can be high but some managers have recently cut fees and offer attractive deals - such as a Gartmore fund which aims to track the FT-All-Share Index and which has no initial charge.

However, some investors may simply want to back their

hunches and buy shares in a company they know well, such as Tesco. As well as the risks involved, they need to know about the charges. These mainly consist of:

Commission

This is charged by the stockbroker with whom you deal. Brokers normally have a set minimum commission; with bigger deals being charged in proportion to the size of the transaction, say 1.5 to 2 per cent.

The cheapest rates tend to be found at execution-only brokers. Manchester-based Gall and Eke, for example, have a minimum of only £10 for deals of under £1,000; Sharelink is currently charging just £50 for deals of over £5,000.

Brokers who offer advice and portfolio management will normally charge higher commissions, but claim this reflects a better standard of service.

Buy-sell spread

Those who trade in shares set two prices; they will buy the shares at the lower price and

sell at the higher.

For example, shares in Marks & Spencer were available on a spread of 325p to 327p before trading started yesterday morning. Newspaper listings, such as the *Financial Times*, quote the mid-price of 326p, but if you had wanted to buy shares you would have paid at least 327p.

Investors must make up this spread before they can make a profit. The spread on Marks & Spencer is fairly narrow; but it can be far larger on small company shares. Take Acis, a wonder stock in early 1987; the spread yesterday morning was 0.5p to 1p. So an investor who bought the shares and immediately sold them would face an instant loss of 50 per cent on his or her investment.

Stamp duty

This is charged by the government at a rate of 0.5 per cent of a transaction's value. You only pay the duty when you buy shares, not when you sell them. The duty is due to be abolished when the Stock Exchange introduces a new electronic system of share dealing called TAURUS.

Is it time to buy?

NO ONE RINGS a bell to tell private investors when it is the right time to buy shares. There is always the risk of buying just before the market plunges.

Yesterday's base rate cut caused a mini-rally in equities. Any fall in interest rates increases the attractions of shares over cash; and declining rates ease the burdens on indebted companies and increase the chance that the economy will recover.

But cutting rates has its dangers. The pound may weaken, leading to rising import prices and higher inflation. And the prospect of a declining pound may dissuade overseas investors from buying UK shares.

Nevertheless, the traditional valuation methods provide some comfort for those who believe the time is right to buy. The dividend yield on the FT-All-Share is 4.9 per cent, marginally below the 20 year average of 5.1 per cent but significantly above the rate of inflation at 3.5 per cent. In the last quarter century, real yields have normally been negative, not positive.

The ratio of long term gilt to equity yields is even better news. The higher the ratio, the more attractive the returns on gilts - and the greater the danger that investors will sell shares and buy bonds. Indeed, the ratio peaked at 3.34 on October 2 1987 - just before the Crash. But the ratio is currently 1.9, below the 1976-92 average of 2.2.

Prospects are less encouraging if you watch the price-earnings ratio, which relates share prices to corporate profits. Over the last 20 years, the average P/E ratio on the FT-All-Share has been 11; the current ratio of 15.7 is well above that, indicating that shares are expensive in historical terms.

But Ian Stephenson, of Smith New Court, feels that if private investors can afford to lock money away, they should think about moving into the market. He points out that if

gilt yields fall to 5 per cent and the yield ratio remains around current levels, share yields will fall to 4 per cent, offering the prospect of a 20 per cent capital gain.

The gloomsters' view is that traditional valuation methods have become irrelevant owing to fundamental changes in the investment climate. Some argue that we face a Great Depression akin to the 1930s. Deflation will occur and that will mean falls in asset prices such as houses and shares.

"We believe the rise from the November 1987 lows represents nothing more than the biggest suckers' rally in history," says David Kauders, a Taunton-based financial adviser who has been recommending his clients to invest in gilts and US treasury bonds. In his newsletter he says: "It is essential at present to stand aside from stock markets, to make very few changes to your portfolios of government securities."

With expert views diverging so sharply, the average investor can be forgiven for feeling confused. At least some compromises are available.

The first is the savings schemes offered by unit and investment trusts. These allow the investor to buy into the market gradually and avoid the danger of investing just before a crash. Pound-cost averaging means that investors buy more shares and units when prices are low.

Guaranteed products can protect against capital loss. They are not ideal, since the investor normally needs to hold them for a set period to receive the guarantee, does not receive any income and may suffer a tax penalty.

Two five year bonds were launched by the Britannia Building Society and Guardian Royal Exchange this week. The first offers 110 per cent of the rise in the FT-SE 100 Index over five years; the GRE offer will pay slightly less than Footsie's rise. Those interested should consult a financial adviser.

Pep charges cut

MURRAY JOHNSTONE, the fund management group which led the recent round of charge cutting, has abolished all excess charges on its unit trust personal equity plans, writes Philip Coggan.

The group's unit trusts currently have an initial charge of 1 per cent, compared with an industry average of 5 per cent. The total bid-offer spread varies between 2.2 per cent and 4.7 per cent.

In other words, someone who invested in a Murray Johnstone unit trust Pep would face an instant loss of between 2.2 and 4.7 per cent on the value of the investment. The "immediate realisable value", as Murray Johnstone describes it, of £100 invested would be between £97.80 and £95.30. That compares well with

some unit trust Peps where, what with high bid-offer spreads and additional Pep charges, the investor might easily face a hit of 8 per cent. The immediate realisable value of £100 invested would be £92.

Other unit trust managers would point out that Murray Johnstone's annual charge is 1.5 per cent, while many managers charge 1 per cent. This will hit performance over the long term, which could offset the lower initial charge.

Many managers would argue that performance, not charges, is paramount. Here Murray's performance is variable. The UK growth, smaller company and European funds have below average performances over the three years to October 1; the Equity Income and Accum funds have performed better than their sector averages over the period.



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FINANCE AND THE FAMILY

Diary of a Private Investor

Service with a snarl

FOR THE first time in many years, I do not own a single share of any company in the stores sector, and my wife holds only a modest number in Burton Group.

Last month, Liam Strong, the new chief executive of Sears, announced a shake-up of his stores' empire that will include closing 350 shoe shops. The company's shares rose sharply and market attention also focused on other stores' groups. I resisted the buying temptation. Why? Because of history and experience.

Over the years, my wife and I have made some nice profits from the sector - partly because we like to wander around shops. In April 1985, she bought shares in Debenhams because she liked its stores and also appreciated the 12.5 per cent shareholder discount on purchases.

In July that year, she accepted Burton's takeover offer and sold most of her newly-acquired holding at between 50p and 57p. This little piece of history is instructive because it shows what can happen to share prices.

Even missed opportunities can provide lessons. In December 1985, I bought shares in Ernest Jones, the high street jewellery chain, at 80p. I reasoned that sales of jewellery were becoming increasingly competitive and that Ernest Jones might be a takeover target. But I became bored with the holding and, by September 1986, I was concerned that it might become difficult to sell shares in small companies like Ernest Jones. So, I disposed of mine at 78p. In 1987, Ratners bid 280p a share for the company.

I was chagrined - but I felt also that Ratners paid too much and wondered what else it might buy at high prices.

Would this lead to later problems (especially as jewellery is a discretionary purchase: no one has to buy it)? So, I resolved not to invest in Ratners, although many people at that time were recommending it.

It was a high price/earnings ratio, and visits to the shops, that deterred me from investing in Sock Shop when it was floated in 1987. Others felt differently; the issue was 53 times subscribed and the shares went to more than 260p. To me, though, the products seemed mainly to be low-priced items that could be copied easily and bought elsewhere. Apart from small outlets at railway stations, I could not see what Sock Shop had to offer compared with other stores. It went into administration early in 1990.

Visits to shops have, however, led to share purchases. In 1988, I invested in Daks Simpson because I liked its suits and overcoats and the staff at its Finsbury store in London's West End seemed always to be helpful. The store also was

popular with up-market Japanese tourists, and I thought the company might be a takeover target. My shares cost 430p. In 1991, I accepted 585.5p for them from a Japanese company, Sankyo Seiko.

For similar reasons, my wife and I bought shares in another up-market London store, Liberty: the product range was good, the staff attentive, and it was liked by the Japanese. She has been in and out of Liberty shares several times since 1986, taking excellent profits each time.

My personal pension scheme held on to its Liberty shares for some time longer. It planned to hold them for many years, but a recent visit to London depressed me so much that I decided to sell them for a useful profit. I believe the recession is now so deep that spending in stores will be depressed for quite a while.

Will manufacturers and retailers take note and offer lower prices and better service? Recent experiences in London's Oxford Street make me doubt it.

In two shoe shops, I found a style I liked. But neither shop had it in my size and none of the assistants was particularly helpful. Why were the shops not linked by computer to a central warehouse so they could place orders for delivery within a few days?

In John Lewis, the department store, an "all-day breakfast" was advertised. I asked if I could have two eggs and toast. "No," came the answer - I had to have one of the set breakfasts that included either bacon or a sausage and one egg. I could not swap a sausage for an extra egg.

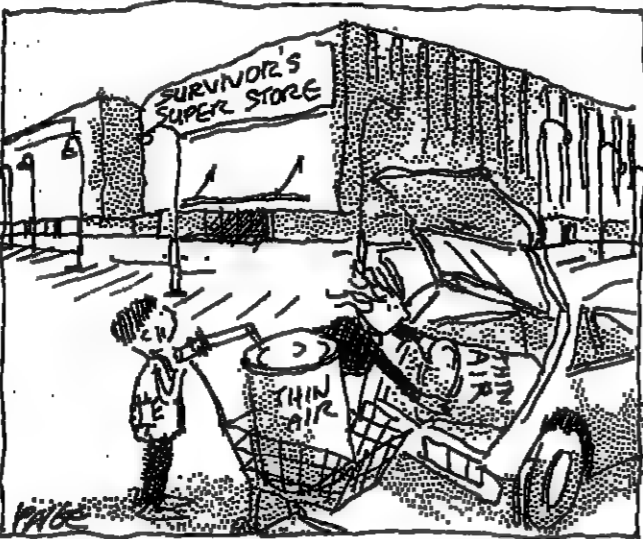
I feel most retailers are going to have a terrible Christmas; the uniform business rate already has crippled many stores in the south. And shoppers know from bitter experience that items for which they paid heavily as Christmas presents will be much reduced in the January sales.

I think supermarket groups are likely to be affected, too, not only by the recession but also their own "dash for growth." Many have been paying vast sums for sites and new stores.

Take the Poole and Bournemouth area, where I live. There are two Asda supermarkets, two Safeway, three Tesco, two Kwik Save, three Marks & Spencer, five Sainsbury, two Waitrose and six Odey supermarkets - not to mention the Co-op, Spar, and other similar shops. Tesco also has planning permission for two more large stores in the area.

Can the population really support them all profitably? People will still buy food in a recession - but there is a limit to how much anyone can eat.

Kevin Goldstein-Jackson



SAVINGS RATES (gross annual interest, per cent)

Institution & account	£500+	£2,500+	£5,000+	£10,000+	£25,000	£50,000
INSTANT ACCESS						
Royal Bank Scot: Gold deposit	5.50	6.00	6.80	7.30	7.70	7.85
Abbey National: Inv. Saver	6.40	6.60	6.80	7.30	7.70	7.70
Alliance & Leicester: Instant	6.40	6.55	6.70	6.90	7.20	7.20
Chelsea: Instant Option	1.00	7.00	7.00	8.25	8.25	8.25
First Direct: High Int Savings	6.50	8.85	8.85	7.25	7.50	8.00
Halifax: Instant Xtra	5.25	6.80	6.80	7.30	7.80	7.80
Midland: Orchard Savings	4.60	5.25	6.00	6.75	7.75	7.75
NOTICE ACCOUNT						
Royal Bank Scot: Gold 90	3.00	7.30	7.30	8.85	9.20	9.50
Abbey Nat: Investment (90 day)	5.95	6.85	6.85	7.65	8.25	8.25
Alliance & Leicester: 90 Day a/c		6.75	6.90	7.70	8.25	8.75
Chelsea: Option 90	7.20	7.20	7.20	8.10	8.35	9.10
First Direct: 90 Day a/c	2.00	8.50	8.50	9.00	9.50	10.00
Halifax: 90 Day Xtra	6.70	8.60	7.00	7.60	8.10	8.50
Midland: Exchequer (90 day)	1.00	1.00	7.25	8.00	8.25	9.00

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Minimum deposit	Rate	Int. paid
INVESTMENT A/Cs and BONDS (Gross)				
Scarborough BS	First Post 0800 690578	Instant	£250 8.00%	Yly
Bristol & West BS	Balmoral A/C 001 225 3557	Instant	£2,000 8.65%	Yly
Scarborough BS	First Post Plus 0800 690578	Instant	£25,000 10.10%	Yly
Allied Trust Bank	3 Mth Notice A/C 071 826 0879	3 Month	£2,001 9.92%	Yly
Newcastle BS	Nova Star 081 232 8678	1 Year	£5,000 10.10%	Yly
Chelsea BS	Premier V 0800 272506	81.1.95	£10,000 10.75%	Yly
TESSAs (Tax Free)				
Allied Trust Bank	071 826 0879	5 Year	£9,000 11.85%	Yly
Julian Hodge Bank	0222 220800	5 Year	£20 11.00%	Yly
Darlington BS	0235 487171	5 Year	£1 11.00%	Yly
West Bromwich BS	021 625 7070	5 Year	£150 10.50%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)				
UDT	Capital Plus 0734 580411	Instant	£1,000 7.25%	Qly
Caledonian Bank	HICA 031 552 8235	Instant	£1 7.50%	Yly
Chelsea BS	Classic Postal 0242 521381	Instant	£10,000 8.60%	Yly
			£25,000 9.10%	Yly
OFFSHORE ACCOUNTS (Gross)				
Woolwich Guernsey Ltd	Intl Gross 0481 715735	Instant	£500 8.75%	Yly
Yorkshire Guernsey BS	Key Ninety 0481 718898	90 Day	£25,000 8.80%	Yly
Bristol & West Intl Lb	Intl Premier 0481 720858	Month+6	£5,000 9.05%	Yly
Yorkshire Guernsey BS	Key Term Share 0481 718898	31.8.99	£10,000 9.25%	OM
GUARANTEED INCOME BONDS (Net)				
Prosperity Life FN	0800 521546	1 Year	£25,000 7.10%	Yly
Prosperity Life FN	0800 521546	2 Year	£15,000 7.25%	Yly
Prosperity Life FN	0800 521546	3 Year	£15,000 7.50%	Yly
Abbey Life FN	0202 292373	5 Year	£25,000 7.65%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)				
(8.00% waf 5.11.92)	Investment A/C	1 Month	£5 7.25%	Yly
	Income Bonds	3 Month	£2,000 9.00%	MY
	Capital Bonds F	5 Year	£100 9.00%	OM
	First Option Bond	12 Mths	£1,000 8.67%	Yly
NAT SAVINGS CERTIFICATES (Tax Free)				
	5th Index Linked	5 Year	£100 6.75%F	OM
	Childrens Bond D	5 Year	£25 4.30% + Infla	OM
			£25 9.10%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. * = Rate fixed only until 1.2.93. * = After 6 months qualifying period. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Washams House, Statham, Norwich. Readers can obtain a complimentary copy by phoning 0892 582808.

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FINANCE AND THE FAMILY

Planning Your Pension

Be sure you understand just what you're buying

SO you have decided to take out a personal pension. The variety of choice might tempt many people to give up the whole exercise; but if you are not in an occupational scheme and do not take out a personal pension, you will have only an inadequate state pension to live on after retirement.

When it comes to choosing, the golden rule is to forget about projections which are presented to you and are far too theoretical to be of any use. It is better to understand how your premiums are invested so you can get an idea of what you might expect from different types of policies.

There are, essentially, two types of personal pension plans - with-profits or unit-linked, although there are also cash-based deposit funds.

■ Unit-linked

You are most likely to be offered a unit-linked plan these days. Your contributions are invested through buying units in a selection of funds offered

by the life company. Unless you choose a cash fund, units are bought at the offer price and sold (when you come to take the benefits) at the lower bid price.

The difference between the two is usually around 5 to 6 per cent to account for the cost of managing the fund and releasing the assets. There are

Scheherazade Daneshkhu explores the finer points of the market

no bonuses. But the trouble with unit-linked funds is that they depend mainly on stock market performance - and the aptitude of the fund manager. They are, therefore, considered somewhat riskier than conventional with-profits policies (see below).

But policyholders have flexibility because of the choice of funds available, and they can seek to lessen risk by splitting contributions between funds. For example, if you are nearing retirement, you could switch

into a cash fund to avoid a last-minute market plunge.

■ With-profits plans

These contracts, which date from the 1960s, used to dominate the market but have been eclipsed by the sale in recent years of unit-linked and unitised with-profits pension policies.

Contributions are paid into a common fund which is invested in equities, property and gilts after initial charges are deducted. The "profits" are those that the fund manager is expected to make through his investment strategy. These are passed on to the policyholder as bonuses.

The life company guarantees to pay you a substantial sum at maturity. That amount is supplemented by two types of bonuses - annual and terminal. Annual bonuses (also

known as reversionary bonuses) are declared each year and added to the contributions. Once the annual bonus is added to the guaranteed sum, it cannot be taken away.

When you come to take the benefits, a discretionary terminal bonus is added to the accumulated fund.

The size of terminal bonuses had been increasing until last year when many life companies began cutting them. Some industry observers believe they could disappear completely. Annual bonuses also are falling and are unlikely to be as high as they were in the 1980s.

■ Unitised with-profits

These are a new product in the industry. Over the past three years, around three-quarters of life companies providing conventional with-profits policies have replaced them with the unit-linked version, mainly because they are cheaper for the companies to operate.

Unlike a conventional with-profits policy, the life company does not guarantee a sum to be paid out at maturity. Your pre-



miums are used to buy units, after which charges are deducted. Annual bonuses are added to the units.

■ Deposit

Cash or deposit-based plans do not have the long-term growth potential of equity-based plans but, if you are nearing retirement, you might not want to

risk stock market investment. Interest on deposits is credited gross, instead of net, and you cannot make withdrawals until the time comes to take the benefits. The rates of interest paid are similar to base rates.

■ Single or regular premiums? If you are in regular employment and expect to remain so

you could opt for a regular premium contract.

If your independent financial adviser (IFA) works on commission, you are likely to be recommended a regular premium contract, mainly because the commission is higher than on a single premium contract.

Make sure you know which type of contract you are being sold - there are still cases where people who think they have a single premium contract realise too late that they were sold a regular premium contract.

Commission on a single premium contract is unlikely to be more than 4 per cent, compared with as much as 60 per cent of the premiums you pay in the first few years on a 20-year regular premium contract.

With the latter, commission usually is paid to the salesman at the beginning of the policy term, and the expenses to the policyholder are spread over the term of the contract. This means that if you have to cash-in the policy early, the expenses of the commission will have to be taken out of it - and your returns will be much lower than you expected.

Charges are lower at the few non-commission life offices, including Professional Life and Provident Life, and with the few providers of unit-trust pensions, which include Fidelity and Gertmore.

Single premium contracts are more suitable for those with fluctuating earnings or younger people who might expect to join an occupational scheme later in their working life. They also have the advantage of allowing you to spread risk by taking out a series of single premium contracts with different life companies.

■ How to choose an insurance company

Do not let yourself be sold a pension. Pensions are a personal and complicated area and it is important to have the best advice available. For this reason, Don Hall, of the Occupational Pensions Advisory Service, recommends going to

a fee-based IFA specialising in pensions.

But beware of fee-based IFAs promising to rebate you the full Lauto commission - they may pocket the difference between the Lauto rates and much higher actual rates. Avoid, too, the advice of a "tied" agent who sells the products of one company. His range is limited, and he will often earn more in commission than an IFA for the sale of the same product. In the end, it is you who are paying the commission.

Working out the charges on individual policies is a notoriously complicated affair because of the industry's obduracy in making its charging structure transparent. In general, your choice must be based on a combination of performance, low charges and good administration.

Look at the top six or seven companies over at least five years and then check if their performance has been consistent over longer periods.

Money Management magazine published its annual performance tables this month. Offices with a consistent performance over five, 10 and 15 years on the with-profits side (regular premiums) include Co-Operative, Pearl Assurance, Norwich Union, Commercial Union; and (single premiums) Clerical Medical, Pearl Assurance and Scottish Life.

On the unit-linked side, consistency of performance is harder to detect, but companies which feature in the top five include M&G over 15 years, Irish Life (over 10) and Premium Life (over five).

The survey shows that, in general, the performance of with-profits policies are better than those of unit-linked policies, particularly on regular premium contracts. But when the October 1987 stock market crash falls out of the five-year performance tables and if cuts in bonuses continue, there could be a reversal of fortunes in the performance of the two types of policies in the future.

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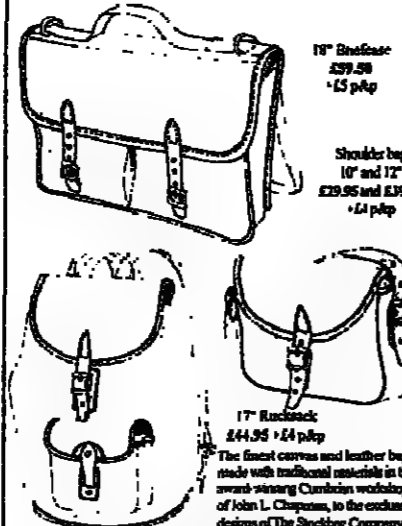
1. BOODLE & DUNTHORNE



Seriously chic jewellery for those with infinite good taste. Send just £1 for this year's glossy colour brochure.

BOODLE & DUNTHORNE
58 Brentford Road, Brentford, London SW13 1BW
Tel. 071 894 6363

2. THE STOCKBAG COMPANY



All bags are hand made from leather and feature solid brass zips and buckles, and leather leather straps... with no metal buckles. Outstanding value! For immediate despatch call and order now. 071 498 8811

The Stockbag Company, 140 Brompton Park Road, London SW11 4DB

Essential Christmas Luxuries



FT BROCHURE GUIDE

3. THE DUFFLECOAT COMPANY



The original Dufflecoat made in England to the most rigorous standards by Gieves, the Dufflecoat specialists. This is the genuine duffle coat with warm Dufflecoat, made in a luxurious soft double-faced cloth with horn style toggle and leather trimmings. Available in Camel and Navy Blue, with plain or check lining. Adult sizes 34-46 (Ladies 8-24). Children's sizes also available. 7 day despatch.

To order by credit card call 071 498 8191 or send a cheque to The Dufflecoat Company, 140 Brompton Park Road, London SW11 4DB. (Fee for overseas orders 071 498 0990).



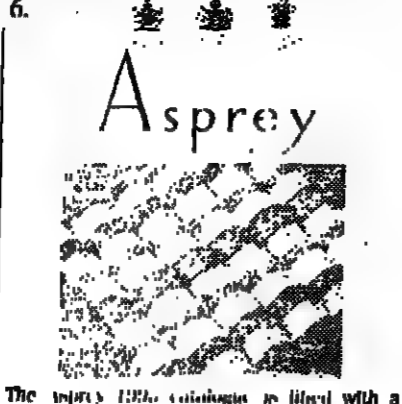
The new Lands' End Christmas catalog. Direct Merchants from America of Button Down Oxford Shirts, Knitted Turtlenecks and a wide selection of classics for the whole family.

For your FREE catalog call 0800 220 220 (UK or write to Lands' End Direct Marketing UK Limited, 10 Joyce Court, Reading Road, Yateley, Camberley, Surrey GU24 7AN)



Harrods Christmas 1992 Hamper Catalogue is now available. Within its 24 pages are 100 gift ideas from the After Dinner Gift Box at £20 to the elaborate 'Supreme' hamper priced at £1000, and the ultimate hamper. To order your free copy of the Catalogue please call 081 170 5000.

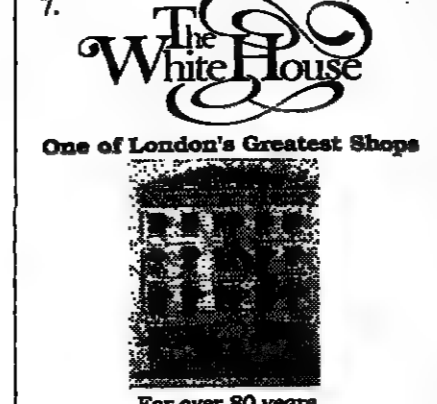
Harrods
Harrods Limited, Knightsbridge, London W1A 7SL



The Asprey 1992 Catalogue is filled with a multitude of unique gifts. The Asprey Cracker can be used individually to pick any item of a suitable size or pre-packed in a box of 12.

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One of London's Greatest Shops

For over 80 years THE WHITE HOUSE has supplied the best homes in the world with the finest linen for the table, bed sets, towels, luxurious lingerie, men's and women's fashions and beautifully made children's clothes.

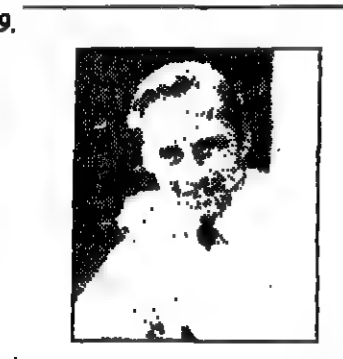
Catalogue Price £2



The Scotch House

Telephone 071 581 2151, extension 510 for your copy of our Autumn/Winter 1992 brochure, price £1.00 (refundable against first purchase).

The Scotch House
2 Brompton Road, Knightsbridge, London SW1X 7PB



JAMES MEADE LIMITED

JERMYN STREET QUALITY AT AFFORDABLE PRICES

The James Meade collection includes ladies' and gentlemen's fine shirts in a choice of sleeve lengths, silk ties, underwear, nightwear and accessories. By despatch direct we offer the lowest prices. Ladies' shirts from £27. Men's shirts from £29. Colour catalogue FREE from James Meade Limited, 48 Chancery Lane, London, EC4A 3DF, or telephone 0204 333222.



Boxen

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Unusual, beautifully made clothes at affordable prices. You need never waste a Saturday again.

For your free catalogue call 071 408 3230 or write to BOXEN, 11 Chiswell Road, London EC1M 4PS



PORTMAN & MASON are pleased to present their Winter & Christmas Catalogue for 1992. This 76 page brochure contains the most comprehensive selection of gifts from all departments of our six floors. Whether browsing for gift ideas before your visit or for purchases by mail order, our superb full colour catalogue has a solution to your gift problems. Request your personal copy today.

(Corporate purchasers ring 021 431 for further information & advice)

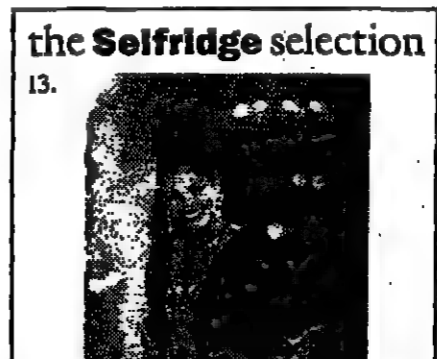
181 Piccadilly - London W1A 1SR
Tel: 071-734 8040 Fax: 071-427 3228



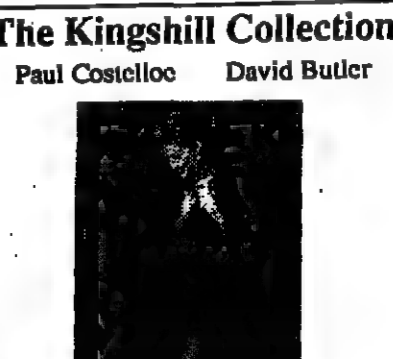
Braewick

Top quality French clothing at affordable prices. Everything from easy-to-wear casuals and city essentials to elegant wear.

For a free brochure and further details ring: 071 636 3746



Imagine all the fun and excitement of Christmas shopping at Selfridge and the pleasure of sending gifts without having to leave home. In The Selfridge Selection mail order catalogue you can find everything you need from fashion to toys, from decorations to food, so sit back and enjoy the perfect Christmas with The Selfridge Selection - in the living room to you!



The Kingshill Collection
Paul Costelloe David Butler

Designer day and evening separates available by Mail Order for the first time with top quality accessories and jewellery from Butler & Wilson. Call The Kingshill Collection on 0494 890555 or fax 02406 6903. Overseas orders welcomed.

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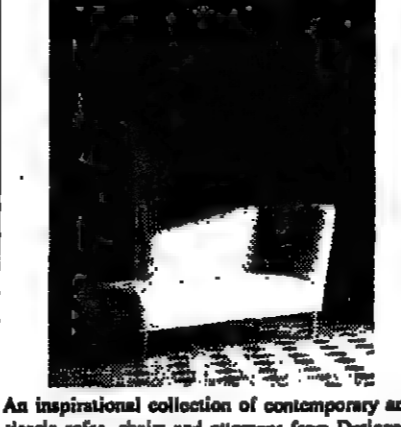


Burberrys

For an appointment anywhere in the British Isles, telephone 071-839 2434.

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MAKERS OF FINE BESPOKE KITCHENS
GREAT PRESTON FARM, PANFIELD, BRANTREE, DORSET
FOR BROCHURE TELEPHONE 0746 32490

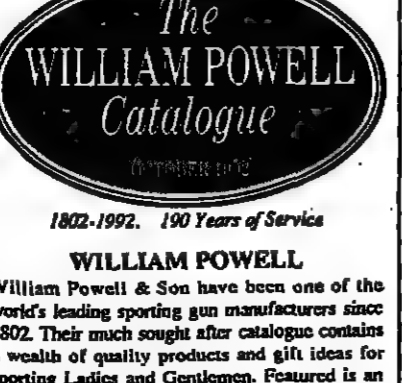
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An EXCLUSIVE COLLECTION OF BEAUTIFUL AND ORIGINAL SEPARATES AND KNITWEAR by post from PENNY PLAIN. Glorious and luxurious materials: Silk, Lambswool, Alpaca, Suede and Liberty Varnum Wool. Fast and Friendly Service.

Call 091 232 1124 for your FREE catalogue; please quote code FT3.

The WILLIAM POWELL Catalogue



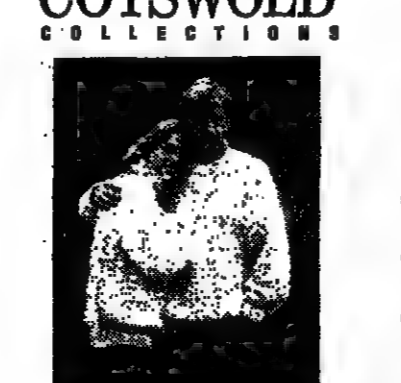
1802-1992. 190 Years of Service

WILLIAM POWELL

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WILLIAM POWELL & SON LTD
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COTSWOLD COLLECTIONS



With 32 full colour pages our new Autumn/Winter catalogue offers a wealth of choice from a range of beautifully designed sweaters, shirts, skirts and interesting gifts.

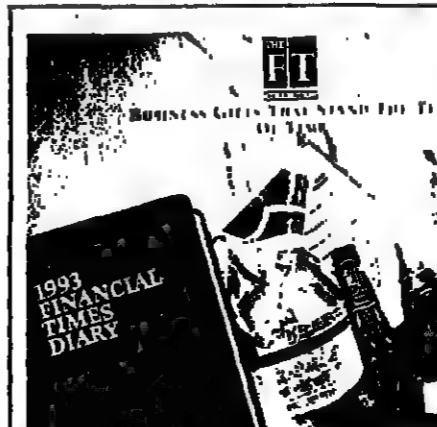
Yours FREE from Cotswold Collections, 2 Queens Circus, Cheltenham, Gloucester, GL50 1RX. Telephone 0242 226262.

HALCYON DAYS



The 1992 Christmas Box, £62.50 a fine enamel from a collection of exceptional objects d'art for which Halcyon Days is world famous.

14 Brook Street, London W1, and at 4 Royal Exchange, London EC3
Tel: 071-629 8811 Fax: 071-409 7901



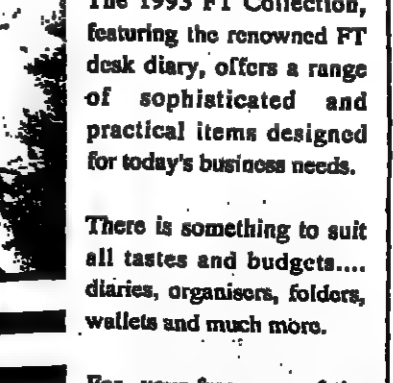
The 1993 FT Collection, featuring the renowned FT desk diary, offers a range of sophisticated and practical items designed for today's business needs.

There is something to suit all tastes and budgets... diaries, organisers, folders, wallets and much more.

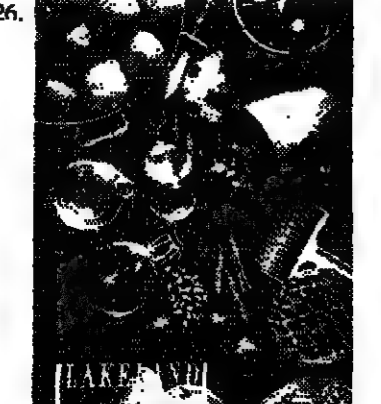
For your free copy of the FT Collection, just complete the coupon or telephone:

Kate Thompson on 071-799 2002

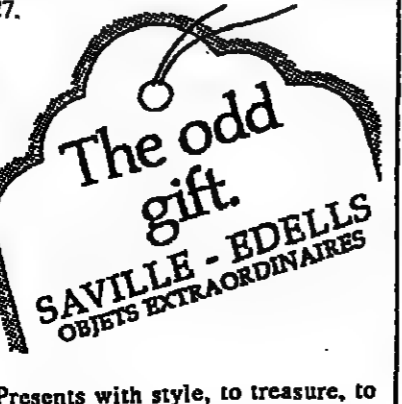
Reinhardt & Laird



An irresistible collection of America's favorite foods! Fabulous cakes, delicious candies, wonderful cookies, superb nuts, exceptional jams, sauces and toppings, succulent dried fruits, delectable smoked trout, tasty beef jerky, habit-forming snacks! Indulge yourself, your family, your friends, your business associates. (No U.S. orders accepted). Color catalog. L1.



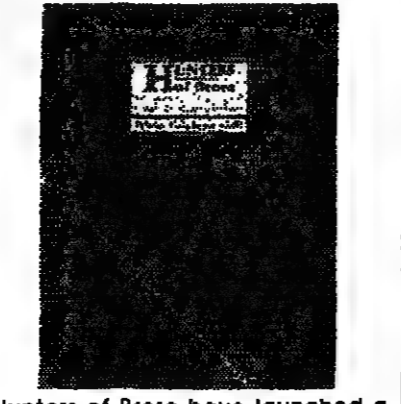
80 Pages of Creative Kitchenware items, to help you create mouthwatering results whether it be a quiet dinner for two, feeding the family, entertaining on a grand scale or preparing for Christmas. Lakeland have the answer. For your free catalogue phone 05304 88100, please ask for Department 316 or write to Lakeland Plastics Ltd., Prepost, 316 Alexandra Buildings, Windermere, Cumbria, LA23 1BQ.



The odd gift.
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OBJETS EXTRAORDINAIRES

Presents with style, to treasure, to amuse and for the person with everything, all in our new 1992 catalogue which contains a £10 GIFT VOUCHER against your first order. Cost of catalogue £2.50.

SAVILLE-EDELLS
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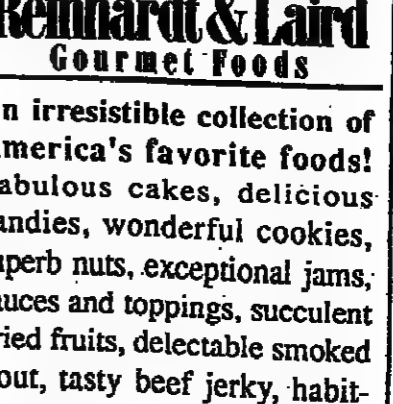
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Reinhardt & Laird
Gourmet Foods

An irresistible collection of America's favorite foods! Fabulous cakes, delicious candies, wonderful cookies, superb nuts, exceptional jams, sauces and toppings, succulent dried fruits, delectable smoked trout, tasty beef jerky, habit-forming snacks! Indulge yourself, your family, your friends, your business associates. (No U.S. orders accepted). Color catalog. L1.

32. **A SPORTING OFFER**

Send for our free catalogue and we will send you a pair of broad collar shirts absolutely free and without obligation.

The new CHARLES TYRWHITT SHIRT catalogue features both LADIES' and MEN'S two-fold cotton poplin shirts, together with silk ties, bow ties, polo jumpers and cufflinks. Ladies' and Men's Shirt prices start from £29.28. GOODS DESPATCHED WITHIN 24 HOURS.

Send for your free catalogue or
Phone (0252) 869948/49 x (0252) 861677
Charles Tyrwhitt Shirts, Dept. CEN1, FREEPOST
Sedgemoor Court, Chesham, Surrey GU17 7BR

33. **Harrods Christmas 1992 Catalogue** is now available. Its 198 pages feature some of the finest merchandise in the world. This year there is a special emphasis on merchandise from New England. For your copy, priced £2 including post and packaging, please call Telephone Orders on 081-479 5000.

Harrods
Harrods Limited, Knightsbridge, London SW1X 7TL

Essential Christmas Luxuries



FT BROCHURE GUIDE

Available in the UK for the first time

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International Couture by mail

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Send for our 36 page free colour catalogue to see styles and prices that will impress.

EDINBURGH H.Q.
• TEL •
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OR
031-226-4861

36. **Burberrys By Post Service**

Telephone 071-930 7803 for your copy of our Autumn/Winter 1992 brochure, price £2.00 (refundable against first purchase).

Burberrys
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37. **THE City Collection**

Pen Ward Savile Row wanted tailored beautifully for women.

An exclusive collection of high quality suits and blouses designed for professional and executive business women.

Available by Mail Order
For our free brochure ring 031 639 6350 or write to:
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Nightwear, Knitwear, Crafts, Decorations, Stationery and more.

For all your Christmas Gift ideas visit one of our shops or send for our free Christmas brochure.

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The Cigar Club are acknowledged connoisseurs of Fine Cigars and are the established leaders in Direct Purchase Marketing.

With over 40 years experience The Cigar Club are renowned for their quality of service and products. Offering a world wide delivery service, we pass the savings of Direct Mail directly to our customers.

For a current catalogue please telephone 081 902 2656 (24 Hour Answering Service) Fax: 081 903 0926

43. **NORTON & TOWNSEND**

Made-to-Measure Service wherever it suits you

- All wool hand cut and finished made-to-measure suits from £275.
- Whether at home or in the office we offer a superb selection of styles, cuts and cloths (business or country).
- Have one of our trained measurers take the strain out of buying a new suit.

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Townsend Tailors based out of London, Kent, Surrey, Sussex, Essex, Northumberland, Yorkshire, Edinburgh and the Borders

44. **SMALLBONE OF DEVICES**

Smallbone is recognised as the finest producer of handmade English furniture for Kitchens, Bedrooms and Bathrooms. The Company has now also introduced a new range for directors' offices.

Introductory Brochure: 16 pages, colour - no charge
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SMALLBONE OF DEVICES
THE HOPKIN WOODHURST, LUTON, MK18 2BU OR
TEL: 0504 728008

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Luxurious knitwear in glorious colours. The Catalogue is £1.50 (Refundable) from Rachel Grimmer Ltd, 21 Devonshire Place, Harrogate, HG1 4AA Tel: 0423 524236.

46. **NICHOLSON & NICHOLSON SHIRTMAKERS**

The NEW Nicholson and Nicholson FREE mail order brochure featuring smart Jermyn Street quality shirts for ladies and gentlemen, and a range of classic accessories. Send for your copy now

OR CALL TODAY ON 0937 588521
Nicholson and Nicholson, Thorpe Grange, Thorpe Audley, Pontefract, Yorkshire WF8 3HG.

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PRACTICAL CLOTHES FOR MEN
127-128 SLOANE STREET
071-738 1866

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1992 Catalogue £4
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NAME

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WEEKEND FT ESSENTIAL LUXURIES CATALOGUE (Ref 17/92)
Capacity House, 2-6 Rothsay Street, London SE1 4UD. Fax No. 071 357 6065.

Addresses supplied by readers in response to this guide will be retained by the Financial Times, which is registered under Data Protection Act 1984

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Luxurious knitwear in glorious colours. The Catalogue is £1.50 (Refundable) from Rachel Grimmer Ltd, 21 Devonshire Place, Harrogate, HG1 4AA Tel: 0423 524236.

50. **KELSEY tailoring**

"A cut above the rest."

Hand crafted personally tailored suits from £280.

Traditional hand-made two-fold cotton poplin shirts from £45.

Apply for our free brochure containing cloth samples and find out about our unique "Personal Visiting Tailor Service". Telephone: 071-820 1616

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52. **COACH**

Catalogue of Catalogues

For this year, Coach Leatherware has been chosen for its quality and style. It's the perfect gift for the discerning man or woman. Call for a free catalogue. Tel: 071 255 1887.

The Coach Store, 8 St James Street, London SW1

53. **LETTERRBOX**

Over 350 ideas for imaginative and original presents for children of all ages. A unique collection of personalised presents, colourful, handpainted wood & traditional toys, games and activities. Plus party bags and stocking fillers.

LETTERRBOX
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54. **RUFFS**

Ruff dogs make the finest impressions

A brochure is available for £1.50, which includes details of cuff links and other gentlemen's accessories.

RUFFS (Accessories), 15 Benlister Lane, Gosport, Hampshire, PO12 1BB
Tel: Gosport (0705) 529595

55. **ROWLAND'S OF BATH**

Choose your winter wardrobe from our new FREE catalogue. A large collection of men's and women's clothing including suits, blouses, coats and jackets. Shops at Bath, Salisbury and Cheltenham.

Rowlands of Bath, PO Box 147, Bath BA1 2YZ
Tel: 0225-446546

56. **THE NEXT "Essential Luxuries" FT Brochure Guide** is on March 13th 1993

For further details please contact
Julia Carrick on 071-873 4664
or Grazia Marenghi on 071-873 3185

HOW TO SPEND IT

Jonathan, Sophie and the perils of the falling pound

Sterling crises, credit binges, a huge bill — what is a gal to do? Buy British; says Lucia van der Post

MY FRIEND Sophie is not usually given to spending much time pondering the problems of ERM, economic convergences and the like, but currently these matters are furrowing her perfect little brow.

From her aerobics-honed, Dior-clad legs to her chic and shining bob, Sophie looks expensive. Sophie is expensive. She lunches at San Lorenzo's or Le Caprice, buys jackets from Chanel or Valentino.

As for shoes, at the moment she is awfully fond of her dear little £200 Stephane Kallian boots, and if she needs something new will often run into Robert Clergerie to see what he has to offer. To some £200 might seem extravagant but when you have Sophie's... well, taste and refinement were the only words that came to mind... then the other choices scarcely bear thinking about.

Then there's her clutch of Prada handbags which she uses when she feels that the padded ones with the interlocked Cs may look just a little obvious. Her watch (a present from Jonathan on their first trip to Paris) is by Boucheron, her pearls by Mellerio and round her groomed trim person there swirls the tantalising, elusive smell of Shalimar. No vulgar New World sock-it-to-em power scents for her.

Sophie, however, is worried. As she toys with her bold and witty gilt belt — she had rushed into the new Lacroix boutique the very day it opened and couldn't resist it — the matter of her last trip to Paris is beginning to prey on her mind. Jonathan had been distinctly tetchy when last month's credit card bills came rolling in and any minute now the bill for Paris would be arriving.

The Chanel jacket which had seemed extravagant enough at FF12,000 was going to emerge on the credit card bill at somewhere round £1,400 instead of the £1,200 she had calculated.

There had been the new winter coat (oh, such a delicious shade of blue) from Lagerfeld, the Prada shoes, the Hermès handbag...

Well, Sophie, take heart. Resolve to turn over a new leaf. I know you were so hoping for something from dear Karl's first collection for Chloe but there are, believe it or not, some alternatives, much nearer home, which can be bought in poor old devalued pounds.

First, do try and remember that labels are very, very '80s. Try and be a '90s person. The '90s are all about caring, ecology, quiet refinement, about quality without ostentation. Take it from me: labels are OUT, OUT, OUT.

Scarves and scarf-print shirts are all the rage. Take a look at English Eccentrics and I think you will be happily surprised. Luscious creamy silk, heavenly colours, prints that are both bold and subtle. But best of all has to be the price — the shirts are £295, the scarves, £39 (you will know better than anybody that at Hermès the shirts are £750, the scarves £125).

I know, Sophie, that you are addicted to subtle French perfumes — and being a Shalimar addict I sympathise — but at £44 for 100ml of *eau de toilette* and, grrr, £180 for 60 ml of the *parfum* it is good to know there are other options. All the sweet, old-fashioned single floral notes are very 'in' and nobody does them better than Penhaligon's and Czech & Speake. Look out for Penhaligon's Lily of the Valley, Bluebell, Gardenia, Violetta, Orange Blossom, for Czech & Speake's Mimosa, Rose and Neroli. And don't forget Floris — old-fashioned, traditional, understated, classy. Try Stephanois, another single-note floral, or Zinnia or Edwardian Bouquet, £28.50 for 150ml of perfume, £33.50 for 200 ml of toilet water. I think the prices will please Jonathan.

Talking of Jonathan reminds me — remember Geo F. Trumper, whose clutch of colognes and aftershaves are among the

classiest in the world. Extract of Limes, Wallington, Curzon, Marlborough — nostalgic names, nostalgic prices — from £11.25 to £17.40.

When it comes to shoes I am sure you will agree there is hardly anyone to beat Manolo Blahnik for sheer glamour, but Jonathan would not approve of the prices. So take a trip to Emma Hope, to Johnny Moke, to Patrick Cox. At Gina Shoes, 42, Sloane Street, Knightsbridge, London SW3 three of London's best shoemakers — Gina, Jimmy Choo and Emma Hope — now sell their wares under just one roof.

For the new caring '90s, knitwear is the thing — ecologically sound, so much softer than all those sharp jackets. Here you are in luck. Britain has the best knitwear in the



Top: pure wool cardigan by Marian Foale, in lots of colours including this season's red, £150 from 13-14 Hinde Street, London W1. Above: cashmere twin set by Ballantyne, £330 for the cardigan, £250 for the pullover, in a range of colours, from Ballantyne Cashmere, 153 New Bond Street, London W1 (p&p £4)

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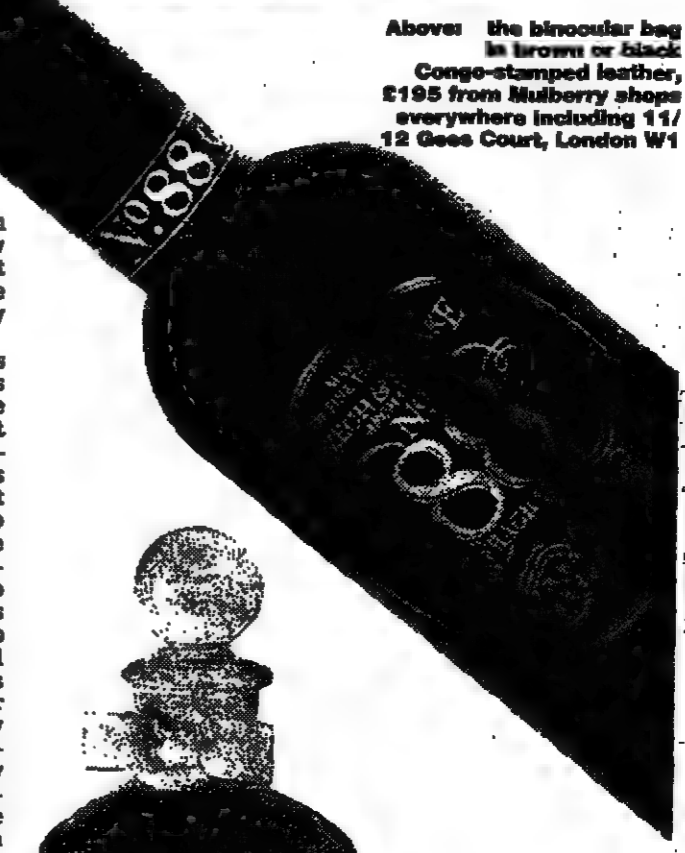
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Above: John Smedley's fine-gauge merino wool three-button shirt, £69.95 from big department stores and menswear shops. Right: from Floris, leak bath bowl and soap, £45.50, and white, £12. From Floris, 89 Jermyn Street, London W1; Harrods, Peter Jones, Selfridges, John Lewis and Harvey Nichols. Right, top: cool, classic cologne, No. 88 by Czech & Speake, from £13.50 to £59 from Czech & Speake, 30c Jermyn Street, London SW1, and the new shop at 125 Falmham Road, London SW3. Below: Penhaligon's bluebell bath oil, £25 for 200 ml from Penhaligon's shop, 41 Wellington Street, Covent Garden, London WC2 and branches. Far right: from Geo. F. Trumper, Extract of Limes, £4.40 for 200 ml of bath and shower gel. From Geo. F. Trumper, 9 Curzon Street, London W1, 20 Jermyn Street, London SW1



Above: the binocular bag in brown or black. Conge-stamped leather, £195 from Mulberry shops everywhere including 11/12 Goss Court, London W1



Above, heavy silk scarf-print shirt from English Eccentrics, just one of a wonderful range featuring images from a mythical past, often with alchemical references as well. £297 from a selection at Liberty, Harvey Nichols and Blakes to Witches, London SW19

Yes.

FOOD AND DRINK

A wine drinker's guide to the currency markets

Jancis Robinson tries to make the best of the exchange rate debacle

JASPER MORRIS, of fine wine importers Morris & Verdin, is one of the more exasperatingly cheerful members of the London wine trade. In the past few weeks however, even he has been sounding as though someone forgot to wind him up.

He is currently paying for rather a lot of 1990 burgundy priced when the pound was worth nearly FF10 and has also had to issue a new wholesale list which will earn him neither friends nor profit. In Colchester meanwhile, Lay & Wheeler's man about France has been spending his days chez the local printer, painstakingly adjusting columns of prices on his firm's new list.

Wine merchants are in the front line of the exchange rate debacle. What they sell is almost 100 per cent imported,

notably from France and Germany, countries with expensive currencies nowadays. Here are some of the likely and possible effects, with some suggestions as to how to make the most of this miserable situation.

■ French and German wines bought recently are the worst affected, which effectively means the younger, less expensive bottles on sale in November and December (although champagne will not look any cheaper).

■ That said, the 1992 vintage in France and Germany is plentiful, if not invariably superlative, so this should ease cellar door prices soon and smooth out some of the currency-related increases. Don't worry, folks, we can still give you your £1.99 Liebfraumilch!

■ Most major retailers are hanging

back before issuing their all-important Christmas prices. The supermarkets may decide that wine profits are worth sacrificing in order to lure customers away from the specialist wine shops whose pipes are squeaking most plaintively.

■ This is a great time to buy fine wine (and fine art, antiques, houses... and anything else you cannot afford). Most fine wine was imported long ago and is now a sterling commodity. Good guys like Jasper Morris are even responding to the almost negligible movement in the fine wine market by reducing prices at this top end.

■ The good news is that wines from Italy, Spain and Portugal should not cost any more (there are healthy signs of a return to sanity in even the most

image-conscious Italian producers).

■ This could be just the flip that the English wine industry desperately needs. Look for any wine made by the skilled Australian winemaker at the Harvest Wine Consultancy near Reading (0734 340176). They include Thames Valley, Boze Down, East Mersea, Moorlynn, Pilton Manor, Sharpham and Wickham - so far. They may taste more New World than English, but that may be no bad thing. (Waitrose, Safeway and the Co-op are trying particularly hard with English wines.)

■ And New World wines themselves should not suffer too many price rises. The British love affair with all things vinous and Australian looks set to continue (see accompanying box).

An Australian alternative

OLD BLOCK Shiraz may not be the only wine to be marketed as a bargain alternative to Penfolds Grange, Australia's famously rich red "first growth", but it will almost certainly be the most successful. It is the brainchild of larger-than-life Bob McLean who was trained first at Reckitt & Colman's South Australian wine operation Orlando (they who siphon off Jacob's Creek), before moving uphill to Petaluma, the archetypal Australian "boutique" winery now in the throes of a public flotation.

In 1988 he bought in to the then moribund Barossa Valley winery St Hallett, determined to make Old Block Shiraz its flagship. Not content with St Hallett's original Old Block, he started buying up every parcel of grapes from ancient Shiraz vine stumps that could be wrested from Penfolds' grasp, so that Old Block may now come from as many as 20 different old Barossa vineyards and counts its production in thousands rather than hundreds of cases.

These vines may be anything from 82 to 145 years old (although heaven knows who keeps those vineyard records of 1847), producing almost uneconomically small lots of exceptionally concentrated wines that are aged, separately, in American oak casks

just like Grange. The result is a deep, almost porty red of unashamedly broad Barossa characteristics - like a softer, very slightly lighter Grange.

The promisingly hefty 1990 vintage is expected in the UK any day now while the exciting 1989 vintage is still in circulation for under £9 at the Australian Wine Centre, London WC2; Adnams of Southwold; Ben Ellis of Surrey; Lay & Wheeler of Colchester; and Winecellars of London SW18.

The pre-McLean 1987 tastes gorgeous now and suggests that this is a wine that, despite its come-hither appeal in youth, is worth keeping well past its fifth birthday.

Other Barossa Shirazes made to the same Grange-like specifications somewhere midway between Hermitage and young port include Charles Melton's Nine Pops (which includes the Grenache grape, like Châteaufort-du-Pape - geddit?) and Rockford Basket Press, also sold at around £8 by Adnams of Southwold, as well as Peter Lehmann Shiraz and Penfolds' own bargain imitation of Grange, Kalima Bin 28, both widely available for well under £5.

The sensational 1986 vintage of Grange sells for just under £30 a bottle.



Proprietor Cyril Gardner purrs over his hotel like a cat over its kittens

Grand Hotel/Kieran Cooke

Yes, nice one, Cyril

ACHAP called Tigger Stack, Ramsay-Brown, MC, had the good taste to stay at the Galle Face. So did Lord Mountbatten. And Pandit Nehru. And Laurence Olivier. And the Maharishi. And Bo Derek. And me.

Some are murdered with migraines. Some are benighted by bunions. Jet lag is my particular purgatory. Even a London-Dublin flight leaves the body reeling and in need of urgent resuscitation - thankfully, a commodity available easily in the Irish capital. But a flight to the other side of the world, especially going east, means at least a week of sleepless, nauseous nights and fatigue-filled, dazed days.

The Galle Face is the antidote - a venerable, fusty pile of an hotel coming up to its 130th birthday, perched on the shores of the Indian Ocean in Colombo, Sri Lanka.

The anti-jet plan is simple. Go to Heathrow airport. Board, drink three gallons of orange juice, sleep. Wake up, get off in the Gulf and stretch the legs. Back on board, tease the system with a Sri Lankan-style

curried breakfast and, in a dip of a wing, fly into Colombo. Go straight to the Galle Face. After a suitable interlude, which might last several days, proceed on your journey, ready to meet the frenetic east head-on.

Cyril Gardner is the owner/proprietor of the Galle Face. He admits his establishment has certain shortcomings: the water runs brown occasionally. When it rains, the roof might leak. The lights might blink a bit. The teak floorboards creak. Phones are not one of the Galle Face's strong points.

"I always describe my hotel as more like a cream caramel than a fancy wedding cake," says Gardner. "It is imperfect, we all know that. But it is rather special."

Gardner purrs over the Galle Face like a cat over its kittens. He inherited its stewardship from his wife's family, the descendants of Dutch burgher settlers. Not so long ago, there were 600 staff. Now, there are 200. "You will notice many of them are elderly. I have tried to make economies but no one has ever been sacked," says Gardner.

To some, he might seem a trifle eccentric. There are signs at every turn: "Please use the stairs - it's much healthier," and "Please don't smoke in the bed. The ashes we find could be yours." Gardner admits his hotel is not everyone's cup of Ceylon tea. "If people want business centres or all manner of leisure activities, they should go elsewhere. People come here to relax. There's no better place for it."

When I was last at the Galle Face, there were few guests. The slurr of Brown Windsor soup echoed across the dining room. Blink, and a bevy of waiters was at the table.

One evening, at sundown time, a black storm came galloping in from the Indian Ocean. The tables did cartwheels across the verandah. Waiters struggled to hold trays aloft while trying to stop the wind from blowing up their longis. A German priest read a comic. A lady who looked like Miss Marple ate a cream bun.

Several astronauts have touched down at the Galle Face staying in bedrooms big enough to accommodate a galaxy. One of the hotel suites,

the King Emperor, has what is believed to be the largest lounge of any hotel bedroom anywhere. All for a fraction of the cost of the anonymous chocolate-on-the-pillow-type hotels which litter the world.

So far, the Galle Face has resisted takeover attempts. "What would new owners do with my boys?" said Gardner, pointing to two grey-haired waiters. "They have been with the Galle Face all their lives, and their fathers before them."

In a perfect world, imperfect hotels like the Galle Face would be left alone. A special fund would be created to keep the Philistines at bay. No piped music would be allowed. Receptionists would be forbidden from saying "Have a nice day." Noel Coward would bounce *bon mots* about on the verandah. The Maharishi would sit on the sea wall, lost to the world. Tigger Stack Ramsay-Brown, MC, would dance with Bo Derek.

And I would sit by the hibiscus, never again to climb aboard a plane.

■ *The Galle Face hotel, Colombo, Sri Lanka. Tel: Colombo 541010-6, fax 541072.*

Cookery/Philippa Davenport

Cabbages fit for kings

RED, white and green. In the beginning, that was how I thought of cabbages: typical of the dismissive British attitude to vegetables, I suppose.

When I escaped the boarding school habit of serving vegetables killed by drowning, I began to appreciate the differences between various varieties; the seasons for each, their different textures and tastes - Savoy, Primo, Christmas Drumhead, January King, Spring Greens, Curly Kale and so on.

Later still, I rejoiced in the arrival of Chinese Leaves in our shops. Pale, crisp and mild, this most unaggressive member of the brassica tribe is equally at home in stir fries and salads. It is excellent for stuffing and a joy for lazy shoppers because it keeps so well.

In Portugal, my brassica tastings were extended to include Couve Galegas, a national favourite which is more popular there than the leek in Wales. Every Portuguese market sells this long-legged, loose-leaved vegetable (often ready shredded for instant cooking), most gardens grow it, and no cook worth her salt would dream of letting more than a day or two pass without putting it on the menu.

Another lovely discovery is Cavolo Nero, which I found in Rosemary Verey's garden at Barnsley House. This is a spectacular plant. Tall and upstanding, the long leaves arch from the stems on thick, white ribs. They are dark green and dimpled as deeply as a Savoy. The effect is most elegant.

Verey told me that she strips the ribs from the leaves, boils the greenery, adds butter and eats it like spinach. Indeed, she sometimes refers to the plant as Italian spinach.

Anna Del Conte - the expert to whom I turn with all Italianate queries - describes Cavolo Nero as having a pronounced but agreeable brassica flavour - slightly more bitter than many other varieties but lacking their intrusive, cabbagey smell.

She adds that, in its native Tuscany, Cavolo Nero sometimes is just sliced across very thinly, boiled (it might take 15-20 minutes to become tender) and served with a good drizzle of fruity olive oil, plus a squeeze of lemon juice if liked. More often, it is cooked with pork in rich and nourishing stews or used in soups, of which la ribollita, the bean soup of Tuscany, is the best known.

Here is Del Conte's recipe for la ribollita as taught at her Taste of Tuscany cookery school and adapted for cooks who cannot lay hands on Cavolo Nero.

LA RIBOLLITA

(serves 6-8)

Whether you finish the soup with onions or not, la ribollita should always be made a day ahead and reheated for serving, as its name implies.

Ingredients: For the beans - ½ lb dried cannellini beans, soaked overnight; 1 onion, cut into quarters; 1 small celery stalk; 3 garlic cloves; sprigs of sage,

rosemary and parsley.

For the soup: 3½ fl oz extra virgin olive oil; 1 sweet (red or Spanish) onion; 1-2 dried chillies, seeded and chopped; 2 ripe tomatoes, peeled, seeded and coarsely chopped; 1 tablespoon tomato puree; 3 potatoes and 2 carrots, cubed; 1 leek and 3 celery stalks, cut into small pieces; the dark green outside leaves only of 1 small savoy cabbage, cut into thin strips; about ½ lb spring greens, cut into thin strips; 2 garlic cloves; 3-4 sprigs of thyme.

For reheating to serve: 1-2 sweet, red or Spanish onions (optional); 3 slices of bread; 2 garlic cloves.

Method: First cook the beans gently with their flavouring ingredients in a heavy pot with enough cold water to cover them by two inches, and 2 teaspoons of salt.

When tender, separate the beans from the liquid. Reserve 3-4 tablespoons of the whole beans and puree the rest using the coarse blade of a food mill.

To make the soup, put into a heavy pot most of the oil, the onion, chillies, and a

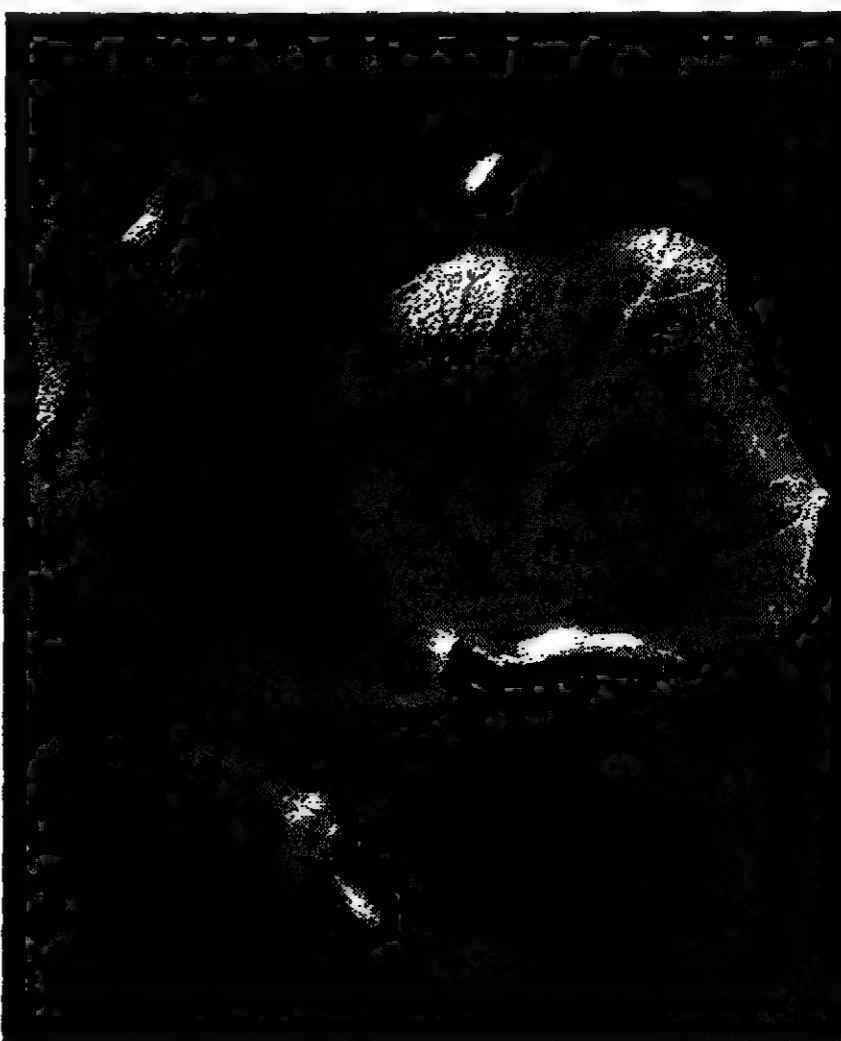
pinch of salt. Sauté for 10 minutes. Add the tomatoes and tomato puree and cook for 2-3 minutes. Add the bean puree and cook, stirring, for 2-3 minutes more.

Add the remaining vegetables and herbs. Pour on the bean liquid plus water as necessary to make 2 pints in all. Cover and cook over the lowest possible heat for about 2 hours. Season with salt and pepper and leave overnight.

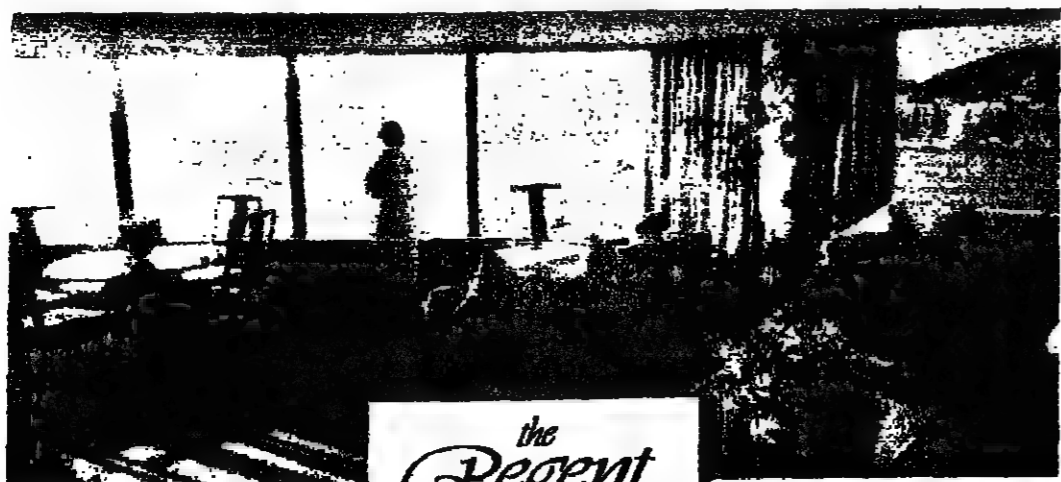
Next day, slice very finely enough onions to lay over the surface of the soup; put the pot into the oven and cook at 350°F/180°C (gas mark 4) until the onion is tender, about 1 hour. (This step is optional: Del Conte suggests omitting it if you cannot find really sweet onions.)

Rub the bread with the cut garlic cloves and grill it. Put the toast into soup bowls, ladle the reheated soup over it and drizzle on the remaining olive oil. Serve hot, warm or at room temperature.

*Barnsley House Gardens, Barnsley, near Cirencester, Gloucestershire, are open from 10-6 on Mondays, Wednesdays, Thursdays and Saturdays.



Cabbage is included in Jacqueline Clark's *Easy-to-Cook Vegetables* (Anaya, £9.99, 96 pages) which features 75 dishes which take less than 30 minutes to prepare



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FASHION

Her: wool duffle coat, £365, silk scarf, £89, both from Margaret Howell, Brook Street, London W1 and Beauchamp Place, SW3. Wool jacket, £260 from Austin Reed. Silk shirt, £99 from Episode. Wool trousers, £145, bag, £95, belt, £37.95 all from Mulberry, Gees Court, W1. Mulberry of Bath and Jenners of Edinburgh; accessories also at Fenwick, New Bond Street, W1. Beret by Kangol, £8.95, gloves, £49.95 from Fenwick. Tights by Jasper Conran for Aristoc, £3.99. Loafers, £24.99 from Hawkshead mail order (tel: 05394-34000).

Him: Loden coat, £204 from John Partridge, Dover Street, W1, Harrods SW1 and Farlows, Pall Mall, SW1. Tweed jacket, £255 from Hackett, Sloane Street, SW1 (from October 19) and New King's Road, SW6. Trousers, £75, wool cardigan, £105, from Burberry, Haymarket, W1, Regent Street, W1, Edinburgh, Glasgow and Aberdeen. Cotton shirt, £55, shoes, £110, both from Timberland, New Bond Street, W1 and Liberty, Regent Street, W1.



Italian men do it in style...

Avril Groom on UK dress inhibitions

THERE USED to be rules, mainly recognised by men of a certain social class, about town and country clothes. "Never wear brown in town" was the flip aphorism that covered a multitude of regulations so rigid that a Victorian gentleman would not dream of leaving his rural seat for London in a city suit. Instead, he travelled in his country colours straight to his club, where he donned a sober frockcoat for business, then perhaps a new-fangled suit for social calling and finally evening clothes for dinner. But this monochrome ritual never crossed the Channel: Continentals and Americans were not so inhibited in their dress and this, coupled with a large pinch of jingoism, made the man in the brown suit a model of untrustworthiness. There is still a hangover from this attitude. Upmarket menswear companies which sell both in the UK and in Europe find the proportions of suits to smart sports jackets they sell reversed between London and

Milan. Italian boardrooms are full of men in subtly-checked sport coats worn with crisply cufflinked shirts and smart loafers, and they feel themselves the equal of any dour grey suit. Woman also have their own image of what constitutes the working wardrobe: brown is OK, but it is never as chic as black or grey.

It all goes back, says Robert Gieves, whose family firm Gieves and Hawkes have dressed officers and gentlemen for 200 years, to Beau Brummell in the late 18th century. "He is thought of as a dandy but in fact he advocated very sober, rigorous dress," says Gieves.

"Perfect cutting and the best fabrics were set off by very simple designs in dark colours. It was a reaction among courtiers in the UK to the foppish dress of the French court, disgraced after the Revolution."

So it was Britain which first established the basic principles of good fashion design and then, sadly,

Continued on opposite page



Camelhair coat, £865, wool jacket, £485, wool trousers, £140, cashmere sweater, £159, all from Ballantyne, New Bond Street, W1. Silk scarf by Jackie Campbell, £52.50 from The Changing Room, W1. Claud Sebire,

SW6 and Emporio di Worcester. Earrings by Betty Jackson, £34.95 from Fenwick.

HAIR AND MAKE-UP BY BEVERLEY BROOKE

Gucciesque style on a budget

ONE THING you do not need to achieve the sleek, Gucciesque, town-into-country style is an Italian textile magnate's budget. So ingrained has this look become in global fashion that it has been copied, sometimes unwittingly, by every chain store in the UK.

It is rarely presented in shops as a total look. It is up to you to pull the ingredients together. So, to help you search through those forbidding rails, here are a few rules: Start by deciding on a colour scheme, because the point of this style is that everything should blend smoothly. Stick to warm-toned and less obvious shades: they look more opulent than cooler neutral.

Decide how to layer your outfit. A simple, boxy, easy-cut short coat works for either sex, perhaps edge-to-edge or a parka for a woman, a duffle or pea jacket for a man. Fabric should be a soft-textured, wool mix - even a little cashmere content can be reasonably priced - or a muted check.

Under this can go toning knitwear in the same understated but elegant mood, per-

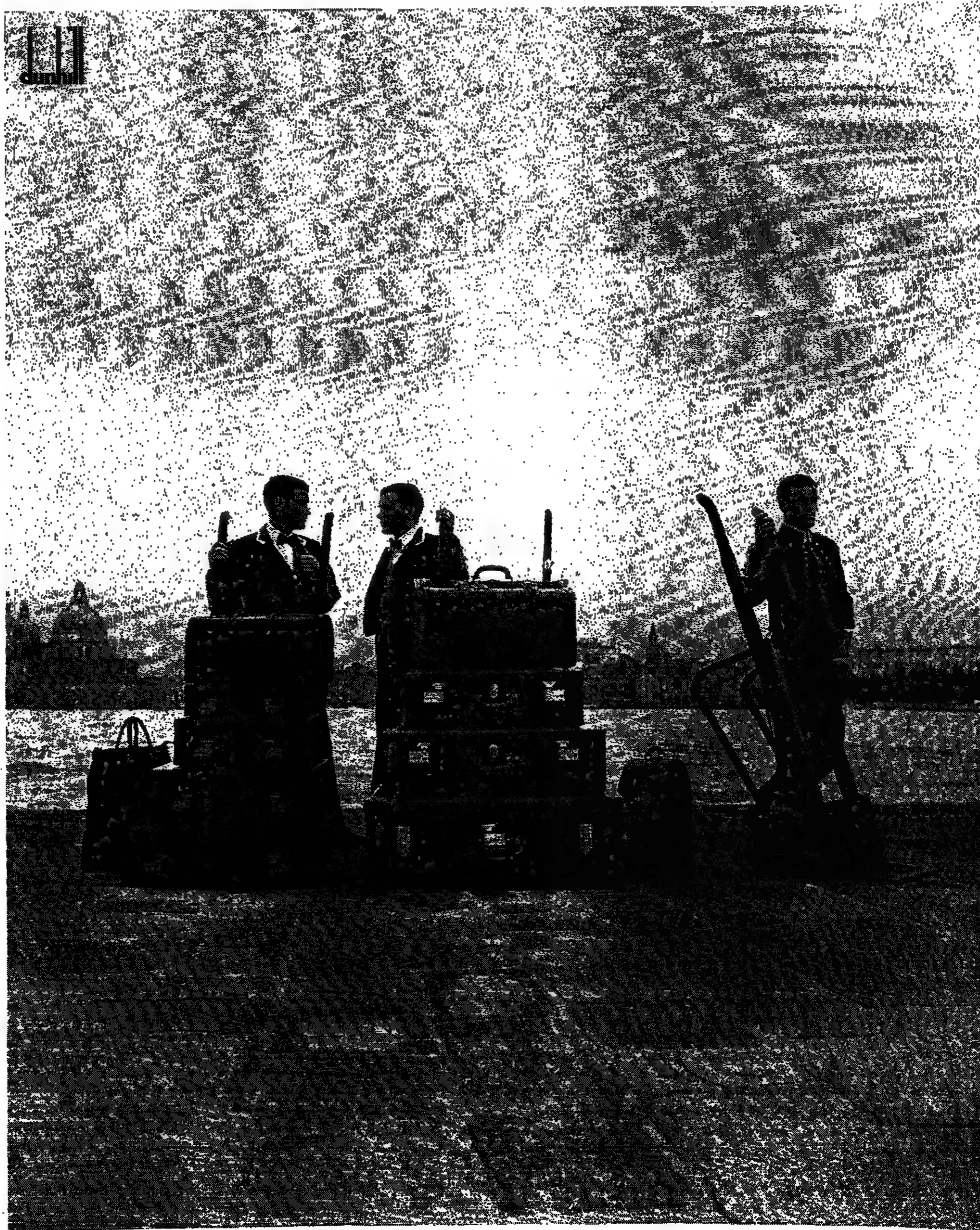
haps with a plain cotton shirt as a base. You can make the look more formal by replacing the knit with a tailored jacket.

Armed with this plan you can track down the crucial pieces. Marks and Spencer has excellent plain knitwear and wool moulton or flannel jackets for both sexes. Benetton has a range of knitwear and wool separates in pale, warm shades.

British Home Stores has upgraded its styling and has men's wool moulton jackets at £65, soft pale parkas at £89.99 and a range of knitwear. River Island has good soft-cut trouser suits and a plain, rich-looking parka at £59.95.

For a younger version, Dorothy Perkins covers the field, from a blonde fake fur duffle coat at £125 to a muted plaid jacket at £59.99. Equally casual, Littlewoods' men's bargain prices include suede waistcoats at £24.99 and check shirts at £9.99. And the finishing Italian touch - the penny loafer or lace-up boatshoe - is widely available, for example from Asda at £24.99.

A.G.



Photograph shows, left: bellhop with Dunhill Cambridge black hand-stitched leather luggage, centre: bellhop with Dunhill Cambridge traditional cognac leather luggage and, right: bellhop who will not be getting a tip.

Sought after since 1893.

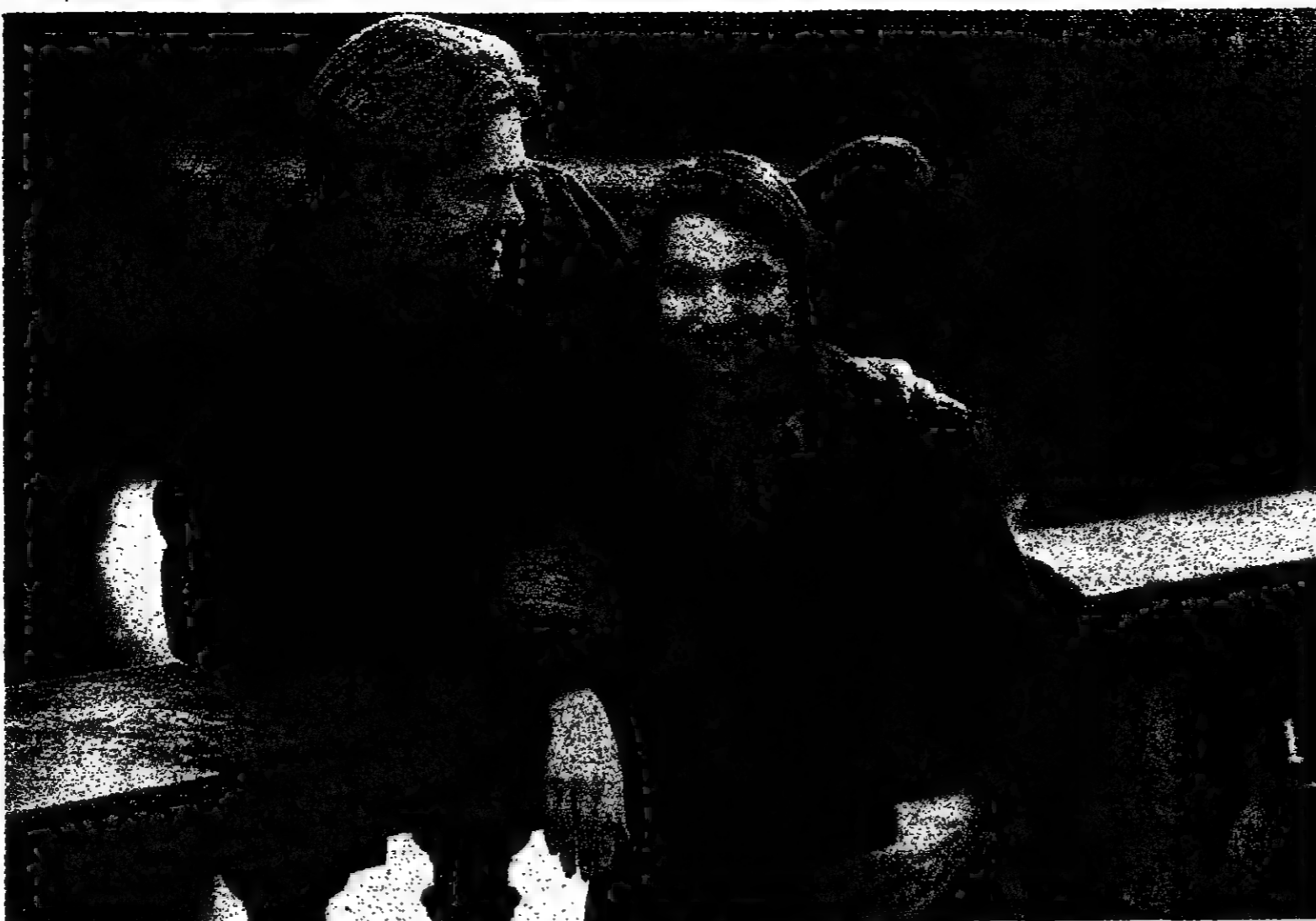
FASHION

Continued from previous page

lost them in a welter of petty Victorian restrictions. Now the more cheerful European view is rubbing off on the UK. Firms such as Gieves and Hawkes, Burberry and, for women, Austin Reed International or Ballantyne, whose first priority is the export trade, find the rich palette of autumnal shades which we think of as countryfied now sells well in slightly more formal guise in the UK, too.

Not yet in the boardroom but certainly for smart-town weekends, the colours which tone with that continental favourite, loden, are in the ascendant, though you should choose with care. The khaki/brown/beige spectrum and the hacking jacket really need the country, and look as out of place in town as the yuppie cliché of a wax jacket over a city suit. The secret is to build up simple, toning layers in warm shades which might have come from a spice rack - curry, saffron, mustard, cinnamon and sage. Woman can add a dash of paler coral, mint or duck egg.

Anyone can go down a notch or two in formality by adding a little denim, suede or rugged backwoods checks for the faintly American "call of the wild" look that ironically seems now to have invaded most casual urban fashion. This practical, comfortable, warm autumn style can be put together from any level of the market, but for a lesson in how to do it, take a look at Hermès or Gucci. From their lofty European peak, they have decades of experience in effortlessly seaming town with country clothes. And you really cannot see the join.



Her: Blanket-stitched wool jacket by Paul Costelloe Dressage, £247 from Fenwick, Paul Costelloe of Amersham, Judy Graham of Cheltenham. Suede waistcoat, £85, stretch trousers, £54.95 from Laura Ashley. Cotton shirt, £14.99 from Hawkshead as above. Earrings, £8.95 from Fenwick. Boots, £89.50 from Russell and Bromley.

Him: quilt-lined wool short coat, £300, shoes, £110 by Timberland as above. Wool jacket, £135 from Blazer. Felted wool waistcoat, £139, cotton shirt, 105, from Nicole Farhi, NW3, Neckline, N10, Jonathan Trumble of Norwich and Earth Clothing of Belfast. Trousers, £185 from Hermès, New Bond Street, W1 and Sloane Street, SW1.



Her: Short wool mix coat, £130 for Oul Set. Tweed jacket, £99 from Laura Ashley. Knitted "body", £159 from Mulberry as above. Suede skirt, £395 from Harvey Nichols Collection, SW1. Earrings, £19.95, gloves, £49.95, from Fenwick. Tights by Aristoc, £1.99. Shoes, £200 from

Gucci, Old Bond Street, W1 and Sloane Street, SW1. Him: Short wool coat by Gloverall, £125 from Selfridges, Oxford Street, W1. Fine wool jacket, £395, wool trousers, £145, cotton shirt, £59, silk tie, £45, all from Gieves and Hawkes, Savile Row, W1. Shoes, £125, Russell and Bromley.

PICTURES: TONY BOASE AT BROWNS OF CAMBRIDGE

Lacroix: the man of mystery

AS CHRISTIAN Lacroix is the man who put the fixz into haute couture, turning it back into a fashion force to be reckoned with, you might expect any book by him to be innovative. And *Pieces of Pastern: Lacroix by Lacroix* (Thames and Hudson, £32) does not disappoint - at least visually. As a piece of design in which Lacroix took a leading part, it is a *succès fou*, printed in sections as bright and clashing as one of his summer dresses.

It is lavishly illustrated with collage-style photographs showing the eclectic cultural influences on the man, and his own sketches, both for collec-

tions and, in a cute monochrome style, of important memories, from 1960s hippies to his black-clad great-grandmother. It will become a work of reference for students seeking to understand the inspirations of this designer who leapt to prominence, apparently from nowhere, five years ago. But as a read it is unsatisfactory, the title is well-chosen because the *Pieces* do not add up. A series of autobiographical sketches explain the influences but do not illuminate either his character or background. The mystery remains, presumably intentionally.

A.G.



One of the fine drawings from Lacroix's book



The Times, London, 10th February 1992.

ALFRED DUNHILL

SPORT AND MOTORING

Cricket/Teresa McLean

The politics of creating a neutral power

FIRST the problems of reconciling national and international government; then the national government's problems in forming national policies. Fate having thus prepared current affairs for cricket, on Tuesday the International Cricket Council announced National Grid Company's sponsorship of "third country", "neutral" or "independent" Test matches in Zimbabwe and South Africa this winter.

Independence is a prerequisite of good umpiring. English counties used to take their own umpires to matches. There was so much trouble and strife that in 1883 they opted instead for a pool of "neutral" umpires, two from each county, to stand only in games where their own county was not playing. It was an immediate success.

The ICC, organisers of the new "neutral" umpire scheme, consider the latest plan no more than, as Chairman Sir Colin Cowdrey put it, "an experiment... a pilot scheme." It cannot be more because it is voluntary. The ICC has no power to enforce it. Three neutral umpires, "Dicky" Bird and David Shepherd (England) and Steve Bucknor (West Indies) will be on the tour of southern Africa.

Tomorrow Bird will become the first sponsored, neutral umpire in Test match history. Previous neutrals, notably Jack Hampshire and John Holder in Pakistan 1989-90, were paid by their host country, not by commercial sponsors. But then Bird is a natural for firsts and records. Tomorrow's Test match between Zimbabwe and India will be Zimbabwe's first with full Test status. Just for good measure, it will bring the number of Tests Bird has umpired up to Frank Chester's record of 48.

Bird will advise local umpires in Harare and Bulawayo, where he will also stand in Zimbabwe's two Tests against New Zealand. Shepherd and Bucknor will umpire South Africa's four Tests against India.

What happens next is up to each country to decide for itself. India will decide whether they want neutral umpires for England's tour of their country after seeing how neutrals handle their tour of southern Africa. Australia dislike the scheme and say they will not imply a lack of confidence in their own umpires by using it.

I asked Cowdrey whether he thought the neutral scheme

could be seen as a capitulation to Pakistan's repeated demands for neutral umpires and their complaints this summer about English umpires, as giving way to trouble making, as weakness under pressure. "I think we all have to look at it and see how it goes. I can't say any more than that really."

Presumably his hope is that the scheme will gather strength and win respect, so that soon Test countries will only want to play where there are neutral umpires.

The fear is that it will lose, not gain, authority for umpires by making their nationality more important than their ability. Also by making them more dependent on match referees, who now seem, alas, to be seen as an integral part of game control at international level. Soon some-one will start calling them match managers, as they sit watching their videos and making judgments on umpires' judgments. The presence of such a reserve force, albeit one with pitifully weak weapons, as we saw at Headingley in July, undermines umpires' authority and lowers their confidence. If neutral umpires are worth trying, their control should be complete.

Cricket is the last important sport without neutral umpires (or their equivalent) for international games. The ICC accepted the principle of neutral umpiring two years ago, but had been unable to find sponsors to make it a reality. Only England has professional, full-time umpires. Everywhere else the best umpires can spare little time for the job. Sir Donald Bradman is alarmed that neutral umpires would discourage each country's up-and-coming umpires.

National Grid's initial, and Quixotic, investment in neutral umpires is £75,000, but neither they nor any other sponsor is likely to spend a fortune training young umpires round the world. Not even if the umpires discreetly advertise on their clothing the patronage they have received. So discreet was what National Grid describe as the "distinctive National Grid 'pylon' logo", on the breast pocket of Bird's white coat, that I didn't even notice it, still less recognise it.

Bird is a fine umpire. He takes a simple line, unabashed by the problems of organisation and finance. He is relying on fine umpiring to win the project attention, approval and support. As Cowdrey said: "We'll just have to wait and see."



Tomorrow the world: Blue Jay Pat Borders celebrates play-off victory

Baseball/Jurek Martin

Shafts of sunlight in the shopping malls

THE BASEBALL fan is both objective and subjective. Dispassionate views may be held about players, managers, hot dogs, ballpark, even commissioners who get sacked by avaricious mill owners, as was poor Pay Vinent's late this year. But there is no substitute for true passion - and for that a handy team is the minimum daily requirement.

In this age of cable and satellite, very different from my last full season ten years ago, that team may not necessarily be next door. Here in Washington, superstations beam in the Atlanta Braves, whose pitching is a pleasure to watch, and the New York Mets, who, Eddie Murray apart, please only masochists. ESPN also provides a catholic nation wide service, extending, for the east coast, to broadcasts of the Los Angeles Dodgers, more error-ridden and lamentable than even the Mets.

But all this has been couch potato snuff compared with the undiluted joy of the real thing 45 minutes down the road. If there has been an undisciplined rookie of the season it has been Camden Yards, home of the Baltimore Orioles, a distinguished new-old stadium built on the spot where Babe Ruth is believed to have been born and nestled majestically among the warehouses of the inner city. Baseball is, after all, both a city and a country game, to be played in fields of dreams not suburban shopping malls. Camden Yards sold out just about every home game in this first year.

Perhaps even more miraculously, the Orioles rose to the occasion. Having lost 95 (out of 162) games last year, they won 89 this season and were in contention for the American League East pennant until the penultimate Sunday of the season, dogging the much more talented Toronto Blue Jays, and only passed in the home stretch by the resurgent Milwaukee Brewers. They did it the old-fashioned way with sound fundamentals - solid fielding, timely hitting and some exceptional pitching - just like the

good old days when Earl Weaver managed the Robinsons, McNally, Palmer and Eddie Murray into the side with the best record in baseball for 20 years from the mid-60s.

Curiously, the Orioles' main man, Cal Ripken Jr, 1991's most valuable player, had the worst year of his career. Still, he came out of it with a \$30m five year contract, the highest ever and just reward for ten great years. With nearly 1,800 consecutive games under his belt, he is on schedule, barring injury or complete loss of form, to pass Lou Gehrig's record in 1995; it ought to be in Baltimore.

Round about that time, with a little luck, Mike Mussina may have record of about 60 wins and 15 losses. In fact, if he pitches like he did in August and September, he may never lose another game. Mind you, the same could have been said of Steve Avery of the Braves after last season; this year he lost as many as he won.

Mussina, in his first full season, won 18 games, lost five, averaged 7% innings per start, and gave up only just over 2% runs an outing. Only 23, trim almost to the point of fragility, studious but self-confident, the fast ball is quick enough, the knuckle curve wicked, the change-up capable of rearranging a batter's spine and the control immaculate. He may have no more natural ability than the Orioles' other young phenomenon, Ben McDonald, but the head is ten years older.

Robin Yount of Milwaukee and George Brett of Kansas City racked up 3,000 lifetime hits. Neither has ever hawked his wares to another club. Dave Winfield, who does all the time, this year for Toronto, became the oldest man ever to drive in 100 runs.

Frank Tanana of Detroit continued to win as he approaches 40. Tanana was a flamethrowing lefty of the mid-70s. Shoulder surgery has reduced him to a crafty military medium. The game I wish I had seen was in August in a suburban shopping mall in Texas.

Tanana against the even older Nolan Ryan, still throwing as hard as he did when they were team mates in California. Deviousness beat smoke and Texas did not get a run.

Of all those, only Winfield and Avery are taking part in post-season play. The regular season title chases were underwhelming, with Pittsburgh, Atlanta and Oakland locking up their leagues by early September. As a result I advised the sports editor a week ago - and, amazingly, he concurred - that the Braves would beat the Pirates simply because they had the best and deepest pitching, and the batted up but experienced Athletics would knock off the Blue Jays because they had the best manager in the game in Tony La Russa and because Toronto is not on US soil.

These predictions looked impeccable after the Braves established a 3-1 lead and the Athletics split the first two games in Toronto. But, for Pittsburgh, Barry Bonds discovered that he was allowed to hit the ball in post-season play while Tim Wakefield, the casual young knuckleballer, befuddled the Braves with gentle deliveries that danced three pasodobles and four entrechats en route to the plate. On Thursday in Atlanta, the Pirates stood on the threshold of the World Series, up 2-1, two out in the bottom of the ninth, when the unheard of Francisco Cabrera, with only ten appearances at bat all season, drove a two run single to left. The Blue Jays, meanwhile, had shown that talent on the field can beat brains off it and beat Oakland four games to two.

Atlanta is worth sticking with, even though its pitching now looks almost fragile. The Braves lost narrowly the series in seven games last year while Toronto has never been this far. Any bet is worth only a nickel, but no bet can even be applied to the existence of next season, with the mill owners rampant and apparently dead set on a collision course with the players, the umpires, the fans and everybody else who denies them their unalienable right to make a fortune.

Boxing/Keith Wheatley

Heavyweight selling of a title contender

HEAVYWEIGHT boxers are "exorbitantly overpaid." That's what Frank Maloney says and he should know: he is promoting the Lennox Lewis/Razor Ruddock fight in London two weeks from tonight and faces having to sell 12,000 tickets at an average of £86 just to break even.

"It's the richest boxing event ever staged in Britain," claims Maloney, who says the fight has cost £4m to stage. While that might be a lot of money for 12 rounds on an autumn night in Earl's Court, the real prize comes next spring when the winner fights the world champion Evander Holyfield fights Riddick Bowe on November 13.

According to many knowledgeable boxing people, Lewis is the real McCoy. "I'm a damned sight more confident about him than any British heavyweight in my lifetime," says Harry Mullan, editor of the trade paper *Boxing News*. "Without any reservation, he's the best fighter I've seen in 20-odd years in the game."

Lewis, 27, grew up in the East End of London, the child of Jamaican immigrants. When

he was 12, he moved with his mother to Ontario, Canada. "My earliest memory of Lennox is of him being a rogue," recalls brother Dennis, now part of his management team. "He was always a rogue. My mother took him to Canada because I'd stayed in London he would have been in trouble."

Lewis won the super-heavyweight gold medal for Canada at the 1988 Olympics and turned professional almost immediately. He then decided to return to Britain rather than be lost among the heavyweight pack in north America. "Lennox has an identity and a following in Britain that mean a lot to any boxer, particularly one with any sensitivity," explains John Hornsby, a Chicago-based lawyer who has guided the fighter's career.

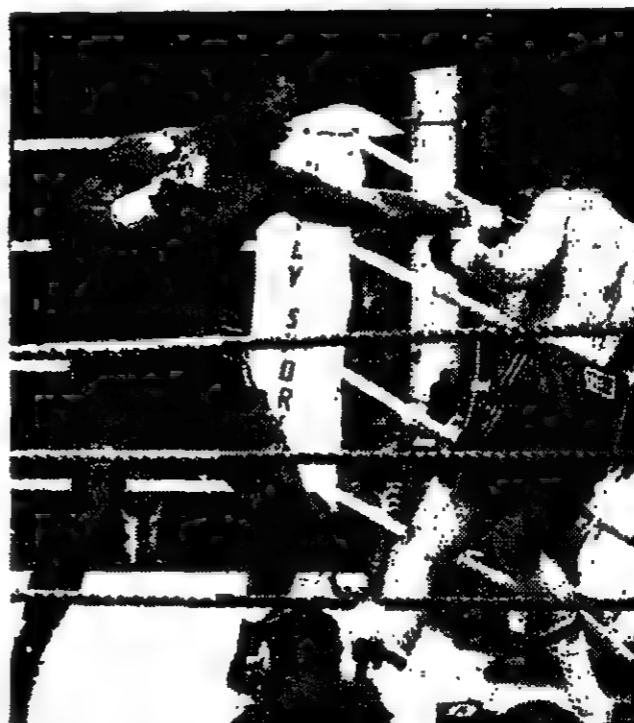
As a British heavyweight Lewis, inevitably, has lived under the shadow of Frank Bruno who has grabbed the tabloid boxing headlines for nearly a decade - whether losing to Mike Tyson, opening supermarkets or waving a fairy

wand in a pantomime - and fights white South African Pierre Coetzar at London's Wembley Arena tonight. Lewis is quite different. For one thing, he has a penchant for 12 hours of chess as the prelude to a fight. For another, he is a "black" black man, with a considerable following in the Afro-Caribbean community.

Sensing his unusual commercial potential, his management team have appointed the RTG Partnership, as marketing consultant to the would-be champion. Clients such as the Law Society and Marriott Hotels are more usual at RTG; boxing is a whole new game.

"The first image is of an ugly street sport, with brutal men in the ring and crooks outside it manipulating them," says Mark Thomas, who is handling the account. "Someone like Lewis could start to change that. He's an intelligent athlete and his operation is clearly above board. He could be boxing's answer to Gary Lineker."

Not the least of Thomas's strategies is to develop the appeal of Lewis to women. The fighter's pre-fight interviews have been going to magazines such as *Chat* and newspapers



Packing a financial punch: Lennox Lewis (left) in action

such as *Today*, which have large female readerships. "Compared with Bruno, Lewis has started from a low awareness base," says Thomas. "He's known to the cognoscenti but, when you have 17,000 tickets to sell, you have to go outside that audience."

No one in the camp is quite sure whether tonight's fight between Bruno and Coetzar is a plus or a minus in the strategy. What is certain is that the attempt by Bruno and veteran promoter Mickey Duff to interpose themselves between

Lewis and a world title bid has backfired; Holyfield has signed an agreement to meet the winner of the Earl's Court fight at Las Vegas in April.

Even the offer of a \$5m package from Duff could not shake the pot. "I'm not fighting Bruno. There's no chance. He hasn't fought anybody," said Holyfield last week. "I have to meet either Lewis or Ruddock. It is that simple." Underlying the champion's "Honest Joe" approach - bizarre behaviour in professional boxing - is the knowledge that the World Box-

ing Council would strip him of the title if he failed to meet a contractual defence.

Lewis arrived in London from his Pennsylvania training camp yesterday out of curiosity to see the Bruno fight. He left behind an America waking up to the possibility that there might just be a British heavyweight who won't end up horizontal within a few rounds. Home Box Office, the cable TV station that will show the fight, has been promoting it as part of a trio of autumn highlights; the others are the Adams Family movie and a Michael Jackson concert.

In practical boxing terms, the fight between Lewis and Ruddock could be the world championship; Mullan, for one, thinks either man can beat the lacklustre Holyfield (or Bowe, should he down the champion). Maloney admits that Lewis's early fights were matches designed to shield him from defeat, but claims that his recent contests have been against "reasonable opponents." Mullan puts it differently. "Lewis looks good so far, but we haven't seen him against a really top opponent. That uncertainty is his only weakness. If Ruddock hits him full tilt and Lewis stays up, he's the business."

Lewis's handlers have spent more than \$40,000 (£23,000) on sparring partners in the past month, bringing in former champions such as Tony Tubbs and Mike Weaver. But the stakes are enormous: a British world heavyweight champion would be a multi-million pound export industry in himself.

Motoring/Stuart Marshall

Best that devalued pounds can buy

WILL the effective devaluation of the pound change Britain's national habit of buying more than 50 per cent of its new cars from abroad? The answer seems to be: not necessarily, but it might.

Even if it did, would Britain's car buyers be denied a reasonable choice and perhaps have to put up with second best? The answer to that is: emphatically not.

To deal with the first point: There has always been an element of "charging what the traffic will bear" when pricing cars for various markets. Take Denmark, for example. List prices of cars there are lower than anywhere else in Europe. Taxes are so high that manufacturers have to slash margins to vanishing point if they are to sell any cars there at all. In Britain, more than 50 per

cent of all cars are bought with company money for business use. Fleets are purchased at fat discounts. This has done nothing to lower the makers' official showroom prices, though how many cars have been sold at retail at list price in the last couple of years?

It is clear that if EC and Far Eastern makers want to keep their market share in Britain - which you can bet your life they do - they will have to temper the financial wind from the storm.

Mercedes-Benz UK spoke for many others when it said this week: "We must remain competitive if we are to preserve our highly efficient dealer network."

"There won't be any instant price increases as a result of the pound's depreciation against the D-mark though eventually some adjustment is inevitable."

What will probably happen is that the model mix of up-market marques such as Mercedes, BMW and Audi will change slightly. Models like Mercedes 190, BMW 3-Series and Audi 80 will gain sales at the expense of the larger, dearer cars. But the shift will not be dramatic, initially at any rate.

"We have noticed that our up-market customers are less price-sensitive than those for our cheaper cars," said Mercedes-Benz UK. It expects some sales could be pulled forward as people decide to buy their Mercedes now rather than wait for the price to rise. The big French manufacturers - PSA (Peugeot-Citroën) and Renault - which between them account for one in eight of all cars sold in Britain, may have to cut margins if their market share is to keep expanding.

Italy's currency is as stricken as the pound. So Fiat (which includes Lancia and Alfa Romeo) sees a great opportunity to lift its sagging sales and regain market penetration in Britain. Its product range is the best for years and it has been busy burnishing its image and improving its marketing.



UK sales of Fiats, such as the Tempra 2.0i SX station wagon, could be lifted by the weak lira

But what if the pound should continue to slide and German and French cars become costlier than they are today? The good news is that many long-term buyers of imported cars might be agreeably surprised by the range of British-made cars on offer.

Few motorists seem to be aware that in the near future, about 25 per cent of the cars produced in Britain will be Hondas, Nissans and Toyotas. The Honda Concerto sold in Britain is already made by Rover, whose 300 and 400 models are closely based upon it though nearly all have Rover's own excellent K-series engines or a Peugeot-Citroën diesel.

Production of the new Honda Accord saloon has just started at Swindon. By 1993 this 2-litre model will be selling against the Ford Sierra (no longer made in Britain) and the British-built Vauxhall Cavalier as well as the BMW 3-Series and Audi 80.

Other comparable British-made cars include the Nissan Primera and Peugeot 405. This French car has been assembled with many British components in Coventry, for some years. Micra will be an alternative to the British-made Rover Metro (transformed by a heart and brain transplant nearly two years ago) and Ford Fiesta.

Other family-type cars which can be expected to benefit from the fall in the pound and lira are the Ford Escort, and Vauxhall Astra (most are made in Britain); and Fiat's new Cinquecento baby car, Panda, Uno, Tipo and Tempra.

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Up the Cristalino river: "Most of the wildlife is where you can't see it - in the river. All the time, the water plopped with rising fish. Watchful egrets, kingfishers and herons perched on the overhanging branches"

A trip into storybook Amazon territory

One advantage of eco-tourism is that it gives the locals an incentive to protect their environment, writes David Lascelles

IRANHAS are much maligned. I can vouch for that having recently swum uncoloured in a branch of the Amazon. It was a most pleasant experience: the water was clear and fresh, the shore soft white sand, and the sun shone out of a clear blue sky. There was nothing sinister about it at all.

But I digress, since the purpose of my trip was neither to dice with death nor to escape the Costa del Sol. It was to sample the wonders of the Amazonian rain forest before too much of it falls to the logger's axe.

This year's Rio Earth Summit has quickened interest in that newly-fashionable form of travel, eco-tourism, so where better to do it than in the world's best-known ecological asset?

My own excursion took me to the northern part of Mato Grosso, a state in west central Brazil bordering Bolivia, where the southern tributaries of the Amazon rise. A party of us flew first to Cuiabá, the state capital which takes in the hot cerrado, Brazil's savannah.

From there we took a light aircraft for the two-hour flight to Alta Floresta in Amazonia. Below us, as the trees multiplied, we could see the first evidence of man's clash with nature. The ground was a patchwork of forest and clearings, scarred by tracks in brilliant red earth.

At one point, huge earthworks dotted

with pools of unnaturally blue water appeared: this was the work of *garimpeiros*, the cowboy gold prospectors who tear up the ground, wash out the precious ore and leave it bare and polluted. Their destruction stains rivers for hundreds of miles.

Alta Floresta is a pioneer town: wide, dusty, hot. Founded only 18 years ago by entrepreneur Aristeto da Silva as a model community, it got trampled by the gold rush and now looks bruised. Much of the surrounding countryside has been mown down, a few tall, charred trees a reminder of what once stood there. But it has a fine hotel, the Amazonica, run by Aristeto's daughter Vitoria, where a patch of preserved jungle grows in on the bungalows, and monkeys peer down at the visitors.

The Amazonica is the jumping-off point for the real adventure: a bumpy hour-long mini-van drive down to the Teles Pires river, one of the Amazon's largest southern arms, and then in a flat-bottom power boat for half-an-hour up a smaller tributary, the Cristalino river. Here, at last, is storybook Amazon territory: overhanging jungle, dark, fast-flowing water, and the mystery of the tropical forest.

At a bend in the river overlooking distant rapids, Vitoria has built a simple but comfortable lodge in a clearing: a place of brilliant coloured flowers, countless tree species and showers of butterflies.

This was base for our excursions. Our

first was an exploratory walk through the forest - a far friendlier place than I had expected, level underfoot, light overhead, ranks of tall, slender growths straining for the sunshine. Hot and muggy, yes, but we were smothered in repellent.

You learn two things very quickly. One is not to expect much wildlife. The Amazon is not Africa. The largest creature we saw was a capybara, the world's biggest rodent, which looks like a hog. The sound you hear most is the whoop of a guard bird which warns all the others that you are coming.

The other thing you learn is that the soil in the Amazon basin is poor and cannot sustain much plant life, which is why most Amazonian plants obtain their nutrients from the air with overground root systems or other weird devices which give the jungle its fantasyland look.

Our second excursion was to view the Brazil nut trees, magnificent 150-ft giants with vast girths, all protected by law. The tree survives in symbiosis with a small rodent which opens up its fallen coconuts and buries the big pipe which we know as Brazil nuts. Vitoria is trying to promote Brazil nuts as a way of encouraging conservation of the rainforest.

On the way back from the nuts, two things happened. Our boat attracted a swarm of bees. We were unharmed, but I later learnt that bees proliferate in the jungle, and I tasted some delicious Amazonian honey. Shortly afterwards, in the slanting evening sunshine which picks out colours with special brilliance, we saw a flock of bright red macaws fly noisily overhead and settle high in the tallest tree: a wonderful sight that could have occurred in no other place.

The following day, Vitoria took us on a three-hour boat excursion up the Cristalino, over rapids (where I had my swim) to a distant river island which is home to the boat. This bizarre bird is half reptilian; it has the remains of a claw on its wings and emits a nasty smell. It can barely fly, and its young drop into the river when threatened. It is said to form a link with prehistory. We were fortunate enough to spot one flopping from one tree to the next, an untidy, wild-looking creature with

a tiny head.

Most of the wildlife is where you can't see it - in the river. All the time, the water plopped with rising fish. Watchful egrets, kingfishers and herons perched on the overhanging branches. In the evening, we drifted down the river by moonlight, shining torches under the river banks to catch the orange glint of crocodiles' eyes.

Is eco-tourism just a way of dressing up old-fashioned travel in a new garb? Possibly. But my trip up the Amazon was an eye-opener. You can't help communing with nature at Cristalino. And Alta Floresta is an education in the stresses caused by man's assault on jungle. Vitoria arranged for us to meet many members of the local community: the priest, the ranger, the teacher. It is a tough life which

makes our homely environmental concerns seem rather precious.

The forest will be at risk until the loggers and the *garimpeiros* find something more lucrative to do. One advantage of eco-tourism is that it gives the locals an incentive to protect their environment.

Cristalino certainly has much to offer, and it is not bad value: six days cost under \$500-a-head all in. But the return flight from Rio de Janeiro to Alta Floresta costs another \$500 and, depending on connections, could take a day-and-a-half. It is worth doing if you break the trip at Cuiabá to take in the Pantanal, the vast marsh with its abundance of aquatic life.

■ Contact: Floresta Tour, Rua Teodoro Baima 100.11, Sao Paulo 01200, SP, Brazil; tel: (011) 258-7355.

In the torn-out heart of Kaliningrad

Giles MacDonogh takes the back route to a Russian outpost

"YOU'RE ON your own from now on if there are any problems with your papers," said my Polish friend encouragingly. We had arrived at the "border" (border crossing from Poland into the Russian province of Kaliningrad, the Russian half of the former German East Prussia). The normal crossing is on the Baltic coast, but German coaches were forming queues which could last up to four days.

My papers seemed to please the Russians. They established me as a British businessman looking to cement ties with a province cut off from the rest of Russia by the independence of the Baltic states. My Polish visa identified me as a writer and journalist, but I had prudently put that in my pocket.

Crossing from Poland to Russia, the architecture changed little: these were the same Prussian villages that are also found around the Mazurian Lakes on the other side of the divide, only here everything was shabbier, more squalid, an indication of the large population that was settled here in the post-war years.

Within half-an-hour we had reached the outskirts of the old city of Königsberg, now called Kaliningrad. It is not a pretty sight. A big British raid in the summer of 1944 ripped out the guts of the mediaeval city; when the Russians arrived some six months later they decided to bulldoze virtually everything that remained.

Unlike the Poles, the Russians had not the slightest legitimate historical justification for their absorption of this corner of the Reich, and this must have helped them decide to destroy all of the remaining

evidence.

My first impression of Kaliningrad was of a provincial Russian city filled with crumbling slab-blocks and jerry-built tenements swarming with squaddies in the uniforms of all three services. In Warsaw, Intourist had booked us into the Hotel Patriot, but both my Polish travelling companions were sceptical about its existence.

The saddest sight of all was the old city island in the Pregel River with the remains of its red brick gothic cathedral. Old photographs show Königsberg to have been a largely unspoiled mediaeval town with

standing, one of them housing a last-minute amber museum. I was astonished to see that the Russians had neglected to remove two portrait roundels from the facade. They represented Scharnhorst and Gneisenau: the generals credited with the creation of the Prussian general staff.

Another pre-war construction is the enormous market. Russians had travelled hundreds of miles to sell off a few old clothes, the family clock or a rusting ship's anchor. A Swedish radio team was interviewing the market people. We got talking. They had been to see a community of ten Germans who, together with a Lutheran pastor, had taken over the old Kreuzkirche and held services there on Sundays. All the Germans had crept back from the Baltic states some 70 years after the mass expulsions of 1945-1947.

We spoke to a woman who wanted to sell three dried fish for 75 roubles. My Polish friend teased her, suggesting I wanted the fish. She offered them to me for 70 roubles. Later in a café, which sold no coffee, some local boys tossed us half a dried fish to eat with our beer. Dried fish is useful: it provokes a thirst for vodka.

We ate that night in the Olsty restaurant, which is more notable for its atmosphere than its food. Among the dollar-wielding wide boys who were making money out of the decaying Soviet system were collections of wild girls who changed partners with alarming frequency. One in particular never passed our table without holding her skirts in greeting. Later she threw a tantrum over the defection of one of her many partners and cleared the table of crockery.

clusters of ancient buildings round the cathedral and university.

Like Paris, it had begun life on an island, but had spread to either side of the river. Now the whole centre had been cleared of buildings and their place taken by a memorial park. All that remained was the roofless hulk of the cathedral and, on the north side, the monument erected in 1924 to mark the bicentenary of the birth of Immanuel Kant.

Kant was possibly the only one of Königsberg's sons to mean something in the Marxist-Leninist scheme of things. There is no memorial to that other great Königsberger, E T A Hoffmann.

Other relics of the past were few and far between. Some of the forts of the early 19th century perimeter wall were still

tenace. One of them called to a teenager and offered him a few roubles to take us there. The boy got in and out of us.

The hotel keeper eyed us with suspicion. She studied all the documents we could provide, hoping to find some discrepancy. A missing stamp would have given her the right to refuse us access to our rooms. The papers proved authentic, though, and we carried our luggage into the hall where a gaggle of Russian policemen were watching a dubbed Spanish soap opera on TV. On each floor the guards were engaged in similarly tiring work.

We went out to see if we could find anything of the pre-war city. In the main square the statue of Lenin was still in place, for Kaliningrad is the most conservative of Russian



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PROPERTY

The rich folk who live on the hills

David Hoppit visits Hampstead and Highgate, two historic and desirable London villages

THAT IT should come to this - a McDonalds in Hampstead High Street. After an 11-year legal battle, the hamburger chain has won the right to open a franchise on the main shopping street of the predominantly 18th century "village" in north London.

Older inhabitants may worry for the value of their homes, but most of the local children, as well as the huge number of teenagers who converge on Hampstead from all over north London in the evenings, will be dancing in the street.

"Frankly, it's a bit of a storm in a teacup. Hampstead is not a twee little village any more. It is a busy, cosmopolitan place," says Duncan Harding, of Ancombe and Ringland. "People have complained for years that it is full of estate agents, boutiques and restaurants; now they can add hamburger bars."

McDonalds will open early next year on a small site that used to house a far more down-market "burger bar". Although its design will have to be approved, soon it will be used by the sons and daughters of those who opposed it. But the good people of Highgate, that other favoured hilltop village nearby, are nervous about the judgment. "Highgate is still a delightful village and we certainly don't want hamburgers and litter here," said one resident. "We do!" chorused nearby school children.

The two villages remain among the most desirable corners of London's vast sprawl. They have been spared the worst excesses of modern building and share that most wonderful amenity: Hampstead Heath, nearly 800 acres of unmanicured park. There was a hamlet at Highgate as long ago as the 13th century; 100 years later, the bishop of London allowed a road to be built over the hill. It was at the foot of Highgate hill that Dick Whittington was said to have heard Bow Bells calling him back; and it was up nearby West Hill that the late poet laureate, John Betjeman, lost his infant heart - "Oh Peggy Porey-Cust, how pure you were" - on his way to school.

Hampstead and Highgate always have been the heralds of recession and recovery. In times of prosperity, house prices reflect the competition between the rich for the most fashionable homes. In hard times, prices there are the first to collapse. The villages already were a barometer



Gladstone stayed here: Heath Lodge, a Grade II Georgian house with seven bedrooms on the edge of Hampstead Heath. It was designed by James Wyatt. Knight, Frank and Rutley is looking for £15m for the house.

late in the late 17th century. William Blake, who founded a school for orphaned children, built speculative houses in The Grove to help finance the charity. He ended up in a debtor's prison. There are many in similar financial difficulties today. In The Bishop's Avenue, famous as "Millionaires Row," local agents will tell you there are only two houses NOT for sale. "One man I know there has bank borrowings of about £3m but his house is worth nearer £2.5m," says Harding.

Richard Crosthwaite, of Knight Frank and Rutley, agrees. "A few years ago, there was competition from all corners of the globe for the few houses for sale in The Bishop's Avenue and Wimpole Road. All that is changed; one resident told me recently his house was about the only one not up for sale. Behind those gilded gates peace many an anxious vendor, probably with an equally anxious bank manager."

But Hampstead and Highgate will always be the Rolls-Royce of the

market; in spite of McDonalds, they retain their historic feel.

Early in the 1960s, I was with the gunners stationed at St John's Wood barracks. Every morning, we would ride up Hampstead hill to exercise the horses of the King's Troop. Our mouths watered at the smells of fresh bread and sizzling bacon waiting through Georgian sashes. At the top, we splashed through White Stone Pond, where poet Percy Shelley sailed paper boats for children. We loved the

scenery up in the villages - the architecture, the misty heathland, the fresh-faced au pairs waving from the windows. And it is the timelessness of "Ham and High" that is intoxicating; small wonder that millionaires want to live there. But the villages are not exclusively for the wealthy. "We have everything from studio flats at £60,000 to The Towers, in The Bishop's Avenue, priced at £25m; and our inquiries are 50-50 from international and English buyers," says Harding.

Ancombe and Ringland is finding a shortage of property to offer its (admittedly reduced) number of inquirers; owners, like most others not forced to sell, are waiting for better times. The firm is selling Byron House in North Road, the Grade II building dating from 1719 that housed the little school attended by Betjeman and Peggy Porey-Cust. Later pupils included Elizabeth Taylor. The house, with its five bedrooms, can be had for £250,000.

Victorian prime minister William Gladstone and his wife stayed at Heath Lodge, another Grade II Georgian home on the edge of Hampstead Heath; it was occupied then by his son, Henry. The house, designed by James Wyatt, has seven bedrooms, a fine cellar and lovely walled gardens. Knight Frank and Rutley cut the price recently from £2.25m to £1.5m.

For those who prefer a new building, the villages offer some temptations. Savills, with Benham and Reeves, is selling five apartments and two penthouses in a new block at Bracknell Gardens, Hampstead. The building, in red brick with balconies, reflects the Edwardian architecture of the area. Prices range from £325,000 to £750,000; buyers will be able to choose their own interiors, up to a budget of £30,000.

In Highgate, St George has just acquired one of the best building sites in London. Strolling beneath a canopy of high trees, it is easy to imagine you are in the centre of Epping forest; yet, you are just a few yards from busy Highgate High Street while Waterlow Park and Highgate cemetery, where Karl Marx is buried, are close by. The developer plans to build terraced and detached houses and some two-bedroom apartments. Prices are expected to start at around £150,000.

Millionaires come and go, fortunes are won and lost, but there will always be people of substance to buy sanctuary behind the high brick walls of Hampstead and Highgate. Only one thing is missing from the Highgate of yesterday: "Swearing the horns". Strangers were required to take an oath holding animal horns and 20 local taverns observed the custom. Participants chanted the oath: "Both men and maids are sworn; and consecrate the oath with dance and draught till morn." There is a danger that this custom could be revived.



For sale: The Clock House

Timeless folly for sale

THOSE interested in early Victorian architecture have a rare chance to buy a building that was eccentric even by 19th century standards: the Clock House at St Leonards, East Sussex. Its clock tower dominates the public gardens at St Leonards, looking across them out to sea.

The Clock House was built as the focal point of a speculative development by James Burton and his architect son Decimus. But the development cost Burton senior the fortune he had made in building a large area of Bloomsbury, central London.

He was more successful developing Royal Tunbridge Wells, and in raising a 1,000-strong regiment of the Royal British Artillery to fight Napoleon. (Building workers were the soldiers and architects the officers).

James died at St Leonards in 1837. Decimus went on to design the great Palm House at the Royal Botanic Gardens, Kew, in 1844. Their Clock House is on offer at £235,000 from Fox & Co (0444-480-108).

Gerald Cadogan

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GARDENING/PERSPECTIVES

Paradise on the crest of a Wave

Robin Lane Fox tracks Columbus and discovers a hint of heaven on the fringe of New York City

EVER topical, I have just returned from my horticultural re-run of 1492. I have seen it all, from Columbus before me: I have followed the post-Lorca precisely, from Spanish Granada to New York. I, too, have shuddered at the big city's darker side while on a Lorcabout of my own: unlike him, I have also shuddered at the rivers of modern development which now pour ever further on to the plains beneath Granada, the source of his poetic vision.

On present evidence, I can confirm that Columbus's one observation about gardening was as inaccurate as all his map reading: off Venezuela, he believed that he had found the edge of the beloved garden of Eden. To a self-taught man, the evidence was as overwhelming as DM2.95 to the pound.

Four rivers were flowing downhill, like rivers mentioned in Genesis; the landscape was lush and luxuriant and the residents were luscious and naked. From this fringe of divine horticulture, Columbus believed that the world rose upwards, shaped like a female breast whose nipple was the centre of Eden. Significantly, he never returned to check out his anatomy at the top of the world. It was just as well because, from Spain to

America, I have found nothing to prove him right. Somewhere, perhaps, there is an unmapped Eden, going topless where I cannot find it. From Granada to Central Park, I have checked out the greenery; I have cypruses clipped like pencils on terraces of narrow carmen-gardens; I have seen myrtles in need of pruning and bedding plants in need of instant eradication.

On the fine hill of the Generalise garden, red salvias luxuriate, a far cry from paradise; there is a hint of heaven in New York streets where the trees are ginkgoes, but there is nothing heavenly in the Strawberry Fields garden commemorating John Lennon's name. After two weeks, I needed orientation: it was lucky that friendly gardeners told me about Wave Hill.

Wave Hill is not Eden or Sissin-gurth but, if paradise is the place which seems the best of the moment by contrast, it has a claim to be taken seriously. It is open every day except Monday and, to find it, you must travel along the

Hudson river on a half-hour's journey from New York's Grand Central to Riverside station and a neat, green, garden suburb.

In 1843, an American lawyer, William Morris, brought his bride to view the hillside where he had just bought some 20 acres. "It looks like a wave," she is said to have told him. So, Wave Hill was born, overlooking the broad river on the edge of modern New York City. From its upper terrace, you might still expect to see smoke signals rising from the unspoiled woods on the far bank.

New York's Eden became a garden through money and immigrant talent. The site was brought to life by George Perkins, a business partner of J.P. Morgan who was hyper-active between 1903 and 1920. He worked with Albert Millard, a head gardener who had trained in royal service in Vienna; together, they laid out a garden in the English style. Two Scottish head gardeners followed: like Bagatelle, the gem of Paris, Wave Hill struck an English chord on the fringe of a great



metropolis. Perkins seems to have caught other English habits: a leading financier, he retired at 50 to focus his abilities on social challenges. One of these was to give bits of the garden to people who admired him. The various houses there have a long roll of honoured residents. Toscanini rented one of them and Mark Twain built a tree house in the garden. Since 1960, Wave Hill has belonged to the city of New York; since 1967, it has been managed by a hero of east coast gardening,

Marco Polo Stufano, who is its director in his silver anniversary year. He has been essential to its identity.

Early October is an unfair test of a flower garden, even in a local Eden. Wave Hill's trees are spectacular, covering more than 700 varieties; its salvias are so much rarer and subtler than modern Spain's with names like Cinesel D'Oro, a pale beauty from Mexico.

Plantsmanship is unusually evident, from the fine pans of wild cyclamen in the alpine house to the many intriguing types of plant from American states: odd lespedeas from California or huge bushes of viburnum Sedgecroft with spectacular scarlet berries.

The climate in summer must be pretty awful and winters are a cold Zone VI; nonetheless, echoes sound pleasantly from across the Atlantic, whether a purple origanum Hopleys or a bright red verberna Lawrence Johnston. The conservatories could teach us all a lesson, not least that the violet-blue thunbergia grandiflora would look great

if well-grown under glass in Britain.

If you love best English gardens best, will it bowl you over? Not, I think, if my eye is fair to its earlier seasons. There is too much potent colour in strong combinations; the water garden is too reedy and feathery and, although the climate must set limits, the plantings on the big pergola do look rather dall.

Perhaps it is only temporary, but the view from the upper terrace falls into a mud patch and then gives way to the wilder shores of the Hudson. The gardens peter out into the sort of wild asters you can see on the cuttings by the south London railway at Clapham Junction. The Garden Trail puts a brave face on it: "Wave Hill's urban woodland is a living laboratory for observing human influence on our environment." So are England's Network South-East rail commuter lines.

Delighted by the trees and the controlled craftsmanship, I veered to the right through the social challenges and found myself on the ter-

race of Wave Hill's main house. Nowadays, they sell a palatable tea and, as the Columbus re-run merged into jet lag, I fell into a cosmopolitan dream.

The Alhambra Spain seemed to have been auctioned on Wall Street and somebody was asking to see my papers in the sort of German spoken in Munich's great botanical gardens. I awoke, expecting politically correct Indians with a blow-pipe. Instead, there was a line of white-flowered fibrous begonias, yellow-trackers influencing the environment with wonderfully democratic indifference, and the sounds from three tables of Hebrew-quoting Jews, appreciating the Black Forest gateau. Was not Hebrew supposed to have been spoken in the garden of Eden? Perhaps Columbus had been right, after all.

I took my leave of the finest green refuge on New York City's outskirts: the evening bell was sounding and somebody was driving a car along the lower terrace to remind us that highway morals rule. Taking leave of the lovely viburnums, I descended the hills, to find signs to a Hebrew home for the aged. The evidence vanished, like Columbus's before me, and I was left with an afternoon's memory of a garden with a view across its broad, bold river that even a Scotsman would envy.

Moving in the best circles

Arthur Hellyer suggests trees suitable for celebrating Europe's single market

THE SINGLE European market is due to start from January 1 and, as part of the celebrations, it is being suggested that tree circles should be planted in all 12 countries of the European Community.

The idea goes far beyond planting just one or two circles in each country. What is envisaged is that local communities, groups and individuals, such as industrialists, schools, golf clubs - even private householders - should plant circles of appropriate size and character in villages, playing fields and open spaces everywhere.

If small trees are used, a circle need not take up a lot of space and could be very decorative. Each circle should, of course, consist of just 12 trees, one for each of the EC countries. Clearly, it is open to debate as to whether circles should have only one kind of tree, but problems multiply if the trees chosen do not grow at approximately the same rate and finish up at about the same size.

Notcutts Nurseries of Woodbridge, Suffolk, has produced a useful leaflet suggesting trees for circles of three different sizes: eight metres (approximately 20 ft) in diameter, 14 metres (46 ft) and 25 metres (82 ft).

The smallest circle certainly should fit into many gardens and two tree varieties are suggested for it (although of it is not made

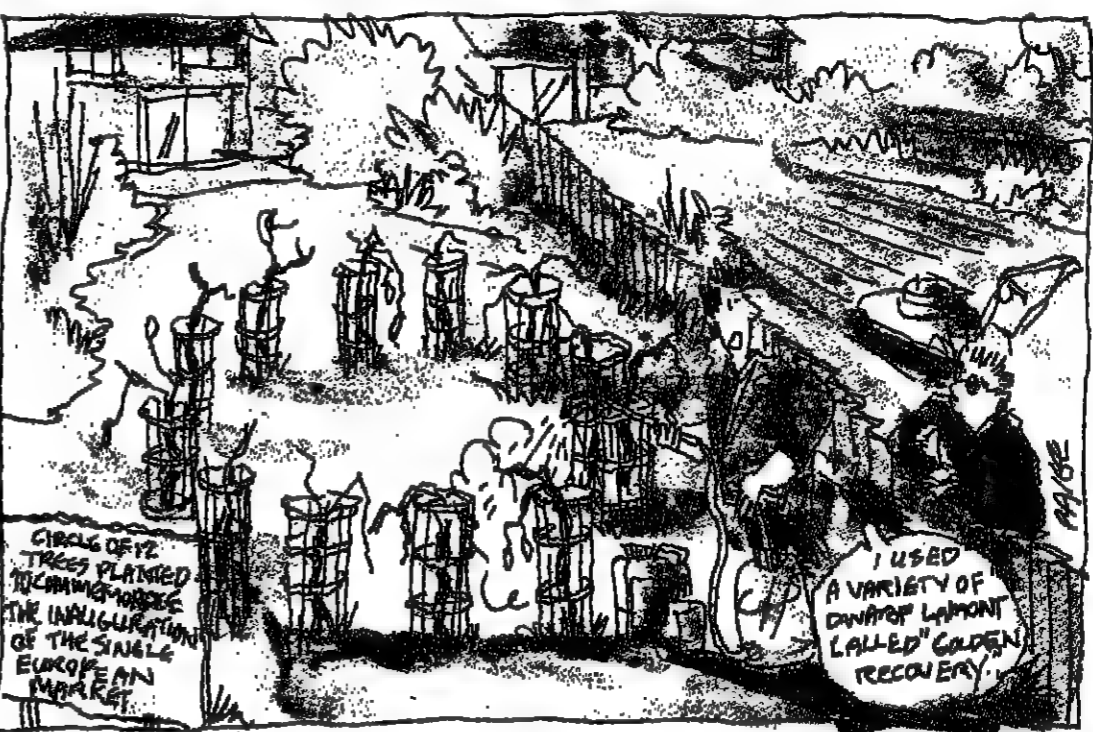
entirely clear if they can be mixed together): the popular, erect-growing Japanese cherry, *Ama-no-gawa*; and *Malus Maypole* one of the new Ballerina apple trees.

These carry a gene which regulates production of side branches, keeping them all very short so that the trees are virtually self-pruning, single-stemmed cordons. Four of these varieties already are available widely; *Maypole* is the one grown primarily for ornament and also as a pollinator for other apple varieties since its fruits are small and decorative, suitable for jelly-making but not eating. The plentiful blossom is carmine.

A circle of this kind would certainly be very attractive but I wonder if gardeners might not prefer to use all the four available Ballerina apples: *Polka*, with light and green fruits; *Bolero*, which has good-sized green and golden fruits; *Waltz*, red and green; all three dessert varieties; plus *Maypole*.

More varieties are in the pipeline and I particularly like the look of *Telamon*, which is an all-red dessert apple that seems to be a heavy cropper.

For the medium-size circle, *Notcutts* has four suggestions, two of them for native trees which would appeal to conservationists. One of these is the field maple, *Acer campestre*, which grows especially well on chalk and limestone and has an extended leaf-colouring period in



the autumn. The other is the rowan (or mountain ash), *Sorbus aucuparia*, which is particularly decorative.

The exotic trees chosen are *Malus tschonoskii* and *Pyrus calleryana* Chanticleer. The first is an erect-growing apple species which has white flowers and yellowish-green fruits tinged with purple, but neither flowers nor fruits are produced very freely.

The real glory of this tree is its autumn leaf colour when it turns crimson, purple, orange and yellow. It is naturally like a pyramid in shape. So, too, is *Pyrus Chanticleer*, and this also is grown primarily for its rich autumn colour. It would be easy to think of a score of others including gold, golden-leaved trees such as *Robinia Frisia* or *Gleditsia Sunburst*; or the sweet gum, *Liquid-*

ambar styraciflua, which has rich autumn colour.

For the large circle, *Notcutts* suggests ash, lime, Norway maple and the wild cherry, *Prunus avium*. Again, the selection could be widened to take in many other fine trees including oak, beech and hornbeam, all of which have erect forms which take up much less lateral space than the normal types.

The narrow, or fastigate, form of beech called *Dawydck* also has purple-leaved and golden-leaved varieties. These are all particularly narrow trees when young but, after 15 years or so, they start to widen a little although the branches still grow upright.

The erect hornbeam has a fairly narrow, cone-shaped head of branches and is popular for street planting. The cypress oak is called *Quercus robur fastigiata*, and is as

narrow as the *Dawydck* beech when young.

It is always upright but widens with age; my 30-year-old specimen has a spread of about 24 ft at 10 ft above ground level. So, 12 trees of this would require quite a big circle, although nothing like as much as for an ordinary oak tree.

An altogether different, more formal effect could be obtained by planting fastigate conifers such as the Irish juniper (*Juniperus communis hibernica*); the even narrower *J. Virginica Skyrocket*; or Irish yew in green or golden-leaved forms or both intermingled.

These would probably be too dramatic for countryside planting, but could look very effective in some garden and park settings and would not take up a great deal of room.

So farewell then, Che Guevara

ERNESTO "Che" Guevara was born, lived and died in another time. He might have been killed only 25 years ago this month, aged 38, but he belongs to a different world. The future Guevara hoped to shape now seems as distant as the utopias dreamed of by the Communards of 1870 Paris, the anarchists of civil war Spain, or the revolutionaries of May 1968.

As perhaps the last romantic folk hero, and certainly the most famous of Latin America's guerrilla warriors, Guevara embodied the lethally simplistic revolutionary who believed sincerely that idealism, sacrifice and permanent, violent, struggle could one day build a perfect society of freedom, justice and plenty for all. Guevara lives on, emblazoned innocently on countless T-shirts, posters and badges. It is easy to picture his stark features etched in black against a flaming red background: his beret, long, scraggly hair and a distant, mystical look in his eyes. But the teenagers who look to Guevara are less interested in his life as a revolutionary than in the glamorous, romantic picture of a rebellious free spirit.

Che's appeal is undeniable. He was a wealthy, middle class youth who qualified as a doctor in Buenos Aires only to abandon the promise of a comfortable life to travel penniless through South America. He met Fidel Castro, then exiled in Mexico, in 1955 and they formed the nucleus of a rebel band that at first numbered only 18 men at the beginning of the Cuban revolution.

Their uprising is an astonishing saga of revolutionaries who triumphed through luck, cour-

age and determination. They almost starved and faced the constant threat of annihilation, yet they went on to defeat - against huge odds - a corrupt, reactionary dictatorship.

But in 1965 Che, the revolutionary hero, effectively abandoned Cuba, probably horrified at Castro's bureaucratic institutionalisation of the revolution. That year, Guevara quit as industry minister to lead a motley guerrilla band in Bolivia rather than compromise his ideals by becoming involved in the difficult - and morally ambivalent - process of organising a state.

John Barham on a revolutionary who was killed 25 years ago

Che's vision of igniting revolutionary wars of liberation throughout South America was as quixotic as it was idealistic, and demonstrated a disturbing separation from reality. One of the perplexed Bolivian peasants present at Guevara's death at the town of La Higuera said: "He came to liberate us, but we did not understand."

His death at the hands of Bolivian troops - led by CIA advisers - on October 8 1967 seemed almost pre-destined. His violent end was appropriate for a man fascinated by death and violence in the best Argentine melodramatic tradition. Clearly, he had given the subject considerable attention.

Recalling (in a campaign diary he kept during the Cuban revolution) the moment in 1966 when he was wounded

slightly in a shoulder, Che wrote: "I thought of myself as dead. Immediately, I began to think about the best way of dying in that minute when all seemed lost. I remembered an old story by Jack London where the hero, leaning against a tree trunk, prepares to end his life with dignity, knowing he was condemned to freeze to death in the frozen plains of Alaska. This is the only image I remember."

By dying before he grew old, Guevara passed into world consciousness as a mystic enveloped in revolutionary purity. If he had lived, Che would be 64 now and probably be a grandfather, perhaps paunchy and balding like Fidel Castro who has gone from beloved national hero to solitary tyrant.

In his biography of Castro, American journalist Tad Szulc comments that the sensitive and highly intelligent Guevara probably sensed this and deliberately chose exile and eventual death in Bolivia's benighted interior. Our modern picture of Che, the self-denying revolutionary, could hardly be more distant from that of his successors. The urban guerrillas of the 1970s in Germany, Italy and Argentina appear to us now as psychopaths. The fat, bespectacled and middle-aged Abimael Guzman, leader of Peru's feared Shining Path guerrillas, was sentenced this week to life in jail for treason, is linked in our minds to Pol Pot, not Che Guevara.

Guevara is, to many, forever the romantic, valiant and mystical harbinger of peace and understanding. The famous, scratchy black and white photos of the dead Che, stretched out with his chest



Guevara... he lives on, emblazoned on countless T-shirts

perforated with bullets, has transformed him into a modern-day hero who gave his own life for an ideal.

But the myth obscures the sinister side of his character. Like all revolutionary purists before him, Guevara isolated himself gradually from the real world in an attempt to create the new man of socialist society, untainted by selfishness, competitiveness, or individualism. He dreamt of sparking off a South American version of the Vietnam war that would unleash great Marxist revolutions across the continent.

In his last radio message, from his Bolivian jungle hide-out to a third world conference in Havana, Che exhorted: "How closely we could look into a bright future should two, three or many Vietnams flourish throughout the world with their share of deaths and immense tragedies, their everyday heroisms, and their repeated blows against imperialism. Yet, in spite of this macho posturing, Guevara probably was perceptive enough to see himself as much a Don Quixote as a proletarian Simon Bolivar. In one of his last letters to his parents in Buenos Aires just before leaving Havana, Che wrote: "Once again, I feel beneath my heels the ribs of Rostand... I return to the road with my lance under my arm."

Fishing Hooked on modesty

IT WAS suggested forcefully to me the other day that I was becoming prey to that most odious of indulgences, false modesty. No one could catch as few fish as you and stick at it, the thesis went. Ergo, you do catch fish but prefer to give us all that sackcloth and ashes humbug about failure and humiliation. My protests were brushed aside. What was I, a fish? I was told firmly, a triumph. And, happily, while I was pondering the morality of inventing something, a triumph was delivered into my lap on such a scale as to render my impatient critic speechless.

In all conscience, I cannot claim much credit for it, except that it was my idea that we should go to Ireland and to the Cork Blackwater, now blessed above all rivers. It was luck, pure luck. Even the least deserving of us came by a slice now and then.

It was all the more marvelous for being so improbable. The weekend before we were to go, appalling news came. "He says there's a 7 ft flood," my wife informed me, as casually as if reporting that she had forgotten to buy bread for breakfast. I tottered, consumed by a vision of a brown torrent bearing smashed trees, Kerrygold cows and all our hopes out to sea.

But then, perhaps in answer to fervent prayer, the deluge ceased. By the time we reached Careyville, the duke of Devonshire's lodge overlooking the Blackwater near Fermoy, the river had resumed a more orderly way of life. "You'll get a fish," was the matter-of-fact prediction from cheery, round-faced Paddy Egan, our ghillie. Hope struggled with disbelief. My campaign opened disastrously. I showed Paddy my spinning line and he said it

was too light. I said it was all I had. He shrugged his shoulders. Second cast, I hooked a fresh-run fish of about 8 lb. The line broke.

Oddly enough, it was the day Britain left the exchange rate mechanism - a matter of trifling importance compared with my loss although I fancy Norman Lamont, the chancellor, might have felt something of the same despair which overwhelmed me. Paddy was not wholly sympathetic as he marched me off to the tackle shop to replace my line.

I caught nothing that first



day, although I had the dubious pleasure of watching one of my companions pull out three within 20 minutes. Paddy beamed at him like a teacher with his prize pupil. Since this is supposed to be my triumph, though, I shall pass over those salmon, particularly as they inspired in their captor an unworthy display of gloating.

Nor shall I dwell on the 12-pounder which another member of the party caught below Careyville weir next morning. My time came that afternoon. At almost the same spot where that gullible trio had given themselves up the previous day, I had two salmon, 11 lb and 8 lb. Now I basked in Paddy's approval.

Thus far, all the fish had been caught spinning, with a

deadly lure which was developed at Careyville and is now famous throughout Ireland. It is known as the Flying C - which stands, I am distressed to say, for condom. The resemblance is undeniable.

Now, spinning is all very well but fly fishing is better - apart from which, no true angler would wish to acknowledge that he owed all his success to an airborne birth control device. So, the next morning I fished the fly down a gorgeous pool at the bottom of the Careyville fishery, which they call Corrineen.

The sun shone, a soft breeze rustled the yellowing leaves and, halfway down, a fish took. I was transfixed and did nothing. It hooked itself and, after a tussle, I landed it. It was small, only 5 lb, but fresh from the sea and lovely to behold. It made me a happy man.

In fact, the whole trip had the blissful quality of the best dreams. The house was like the nicest sort of small country hotel, without the inconvenience of other guests. They asked us if we liked lobster and served five between the four of us, fresh that morning from the market in Cork.

We ate like men possessed - I can still savour the smell of the hot crab pie which preceded the apple crumble with which we were provided in the chicken pavilion which serves as Careyville's fishing hut.

And - heaven be praised - there were fish. We had 19 salmon in 3 1/2 days, two-thirds of them from Careyville and the rest from another stretch upstream. Yes, it was a triumph. Now, I have gone back to being the angling non-achiever nature intended; but the memories will keep me warm through winter.

Tom Fort

BOOKS

Shylock: a figure in his own right

Anthony Curtis on Shakespeare's favourite outcast

AUDEN conceived of a select part of heaven where he would at last meet Shakespeare "lounging grandly by the bar" (rather like Sir Kingsley Amis at the Garrick). Shakespeare as a fellow-member - the image seems wonderfully apt. You cannot work as Shakespeare did for many years as a leading writer and performer, part of a permanent company, without gaining a degree of acceptance and respect from colleagues, something their obituary tributes to him testified. And afterwards,

Christianity) reaches its most sustained heights in Shakespeare's depiction of Shylock the Jew.

Once conceived the figure of Shylock took lasting hold and became a part of collective myth in a way that, for example, his stage predecessor Barabas - Marlowe's *Jew of Malta*, an even more villainous character - never did. The implications of Shylock and his career are so rich, resonating still, that the literary and dramatic critic John Gross has thought it worth his while to devote a whole book to this one figure. Gross studies Shylock as part of Shakespeare's text and then as existing in his own right as a hate-icon. With the rise of liberalism he shows Shylock being interpreted more sympathetically - understanding alternating with hatred.

Gross resuscitates the main line of Shylockian performance from the 18th century to the present. He demonstrates how to begin with Shylock was established as a grotesque caricature and then transformed by a succession of great actors into an individual of exalted stature and brought to life with vibrant realism. This part of the story begins in 1741 when the Irish-born actor Charles Macklin attempted the role at Drury Lane. He was in his late forties at the time and he went on to play the part into his eighties. Although the character he presented was in Gross's words "unyieldingly malignant" he had researched it historically. He discovered, for instance, that the Jews in 18th century Venice wore red hats and donned one. Macklin's performance came as a revelation of the play's power in the theatre.

After Macklin there were - apart from Garrick - few leading British actors who did not attempt the part. Kean's version was a particular triumph. It was described by Hazlitt who



Edmund Kean as Shylock: his version was a particular triumph

felt that great as it was, it tended by its very liveliness, to diminish the obsessive vengefulness of Shylock's character. But Hazlitt concluded that for sheer variety of response, for "presenting a series of striking pictures and giving perpetually fresh shocks of delight and surprise, it would be difficult to single out a competitor".

John Philip Keanle who played Shylock opposite Sarah Siddons as Portia - she was his sister - was considered too remote and neo-classical. The next great landmark was Henry Irving with whom the role underwent a complete reinterpretation. He gave Shylock an aloof dignity based on his observation of a Jewish merchant he had encountered while on holiday in North Africa. "I look upon Shylock as the type of a persecuted race," he wrote in 1884, "almost the only gentleman in the play,

and the most ill-used".

It was a controversial reading then in a role that has continued to arouse controversy ever since. Gross traces the lines of interpretation all over the world - American Shylocks like Edwin Booth, German Shylocks like pre-Nazi ones and Nazi-inspired ones like the horrible one of Werner Krauss in 1943, and the less numerous French ones like that of Harry Baur, the French Jewish actor who afterwards perished in Auschwitz.

There have been translations of the play into both Yiddish and Hebrew and Gross deals with these going on to discuss Shylock in the context of the rise of anti-Semitism as a political doctrine. He scours many works of fiction, of political and social theory, of clinical psychology, as he tracks down the emergence of a whole family of Shylocks and Shylock-types in novelists from Scott

and Trollope to Svevo and Lewisohn. Thinkers like Freud and Marx are given their say along with the more obscure pundits who have contributed to the debate. Gross is always immensely well-informed, perceptive without being ponderous, and he never allows indignation to cloud his judgment. His own view is stated clearly on the last page.

"I personally think that it is absurd to suppose that there is a direct line of descent from Antonio to Hitler, or from Portia to the SS, but that is because I do not believe that the Holocaust was in any way inevitable. I do believe, on the other hand, that the ground for the Holocaust was well prepared, and to that extent the play can never seem quite the same again".

It certainly emerges in a fresh light after one has read this learned, yet enjoyable book.

be somewhat less romantic than first pictured, while Rose's husband Jack winds up far more complex than first thought. This dark irony reaches right down into the Iowa soil itself, seemingly fertile ground that has in fact been poisoned by years of chemical treatment, a legacy which may very well have caused the cancer that eats away at Rose and prevents Ginny from bringing a pregnancy to term.

The most telling realignment in the novel comes with Ginny herself, a confused and bitter woman who starts the story something of a saint yet soon finds herself driven to attempted murder as she faces the most horrific of demons. Indeed, it is by telling the story from the point of view of one of Shakespeare's "bad" sisters that Smiley is able to add a new perspective to the Lear myth, showing what it must be like to be the daughter of a tyrant, to live in a household where "the unbroken surface of the unsaid" hides a well of corruption and betrayal.

Shades of Lear

Stephen Amidon on a novel unafraid to be derivative

the Coles seem to be the salt of the Midwestern earth, just what Republicans have in mind when they speak about "family values". Ginny, who narrates the tale, appears to be a simple, honest woman whose willingness to take over control of the farm stems from the most selfless of motives. Likewise with her amiably caustic sister Rose and their hardworking husbands.

All is not as it seems in Zebulon County, however. It soon becomes apparent that both of the sisters' marriages are fraught with violence, misunderstanding and frustration. Their father is anything but the steady farmer he seems to be, turning out to be an abusive, drunken tyrant. Given this, it is hardly surprising that what starts out as an amicable inheritance soon turns

sour, the bitterness coming to a head when, true to Shakespeare, the daughters effectively turn the crazed old man out into a violent prairie storm. From that moment the plot kicks into high gear, with adultery, blindness, incest,

A THOUSAND ACRES
by Jane Smiley
Farringer, £5.99, 344 pages

attempted murder and accidental death following hard upon one another in a manner which manages to be both shocking and utterly natural. What began as an amiable of honest American values ends an epic catalogue of betrayal and loss.

The immense power of the novel stems not just from its

grand scale and pitched emotions, but also from its simple, relentless style, voice that reinforces the book's timeless themes and locations. It is refreshing to read a writer who is not afraid to use such supposedly old fashioned devices as foreshadowing to move her story along. She also manages to adhere to her Shakespearean source in a subtle, unobtrusive way, providing the reader with sparks of recognition without taking her eye off the plot's flow.

Smiley's strongest skill is a keen authorial balance which, perversely, keeps us off-balance for most of the book. The reader must continually reassess his view of characters and events. The attractive Jess, a New Age draft dodger who becomes the love interest of the elder sisters, turns out to

P.G. WODEHOUSE: MAN AND MYTH
by Barry Phelps
Constable, £16.95 344 pages

nies of his biographers, a facile man. His range of emotional response was restricted to a fault. Even those who are quoted as substantial buttresses of the Wodehouse achievement must see this.

Evelyn Waugh was one such buttress: but Evelyn Waugh also provides a measure of P.G. Wodehouse. There is nothing in Wodehouse quite so comic as the first part of Waugh's trilogy, *Sword of Honour*; there is nothing at all in Wodehouse which comes close to matching the depth and plangency of *Brideshead Revisited*. However much enjoyment Wodehouse

may have given Waugh, the two writers are not to be bracketed together. Wodehouse may not have been a "performing flea", but to hail his capacity as "almost Shakespearean" is pure nonsense. No one doubts the technical calibre of P.G. Wodehouse in expressing himself. One simply wishes that he would express himself more profoundly.

Just what did "The Master" make of the loss of his "beloved" stepdaughter Leonora? How could he forgive the man who attacked him so spitefully on the BBC? The way in which he reacted to the privations of his arrest by the Nazis can be partly explained as the defence mechanism of the public schoolboy who creates a microcosm of institutional security wherever he is (buckles down in the prison camp and makes a cricket ball from a mass of rubber bands; gets the games going). But only partly. Either Wodehouse was not properly wounded by appalling events, or else he kept quiet about them. This book does not illuminate. The absence of any moral asperity in Wodehouse's life remains conspicuous. It is a monotone of bland good-nature, which prevails even when satirising Mosley's blackshirts as Spode's

P.G. WODEHOUSE
A Pelican at Blandings



P.G. Wodehouse: money mad

fools in footer bags. The only people to have ever aroused anything approaching savage indignation in Wodehouse appear to have been the British and American tax-collectors. So there we are: back to the lolly again. It would be perverse to criticise Wodehouse for liking lots of it; and it may seem equally perverse to complain of his imperturbable good-naturedness. He resists such detraction: as Compton Mackenzie put it, criticising Wodehouse is about as graceful as taking a spade to a soufflé. I only murmur a note of dissent. Otherwise, I love the man still. No book about him can be a bad book.

Nigel Spivey

A religion of Good rather than God

A.C. Grayling on the Murdoch philosophy

A CHARACTER in one of Iris Murdoch's novels believes, under the influence of a drug, that he is experiencing "the Good Absolute". To the friend at his bedside he looks like a "wide-eyed, huge-eyed god". Murdoch has always disclaimed philosophical ambitions for her fiction, but in the light of her new book - a large, elaborate and visionary philosophical essay - these images suddenly appear telling. For Murdoch believes in the existence of an objective Good which touches our lives at every moment, making urgent demands upon us; and in this richly stimulating work she endeavours to justify that belief and to explain what it means.

Her central contention is that morality is not peripheral, as now too often thought, but essential to our lives. To grasp its importance we must attend to every detail of our inner experience, and we will see that each is morally charged. We inhabit the familiar yet mysterious continuum of the present; it is what is nearest to us, and "it matters what kind of place it is".

Living rightly, Murdoch says, is a matter of directing our moral energies by loving the Good, which is "absolute and unique, a magnetic focus". Fundamentally people just know the difference between good and evil, but the task is to help them respond to that knowledge. Aesthetic and spiritual considerations richly play their part in this. Murdoch argues that religion - a sense of the sacred, and of there being exigent claims upon us from an objective authority - is vital here: but what is required is a religion not of gods or God but of Good: "Good is the reality of which God is the dream".

The thinkers to whom Murdoch constantly recurs in meditating these themes include Simone Weil, Wittgenstein, Schopenhauer and Kant. But the book's dominating philosophical presence is Plato. Indeed her thesis is Platonist in an almost literal sense, in that the central characters of the ethical drama are the solitary private self, with its implicit sense of "something higher", and the Form of the Good, the fundamental reality of our world.

The two enemies of belief in the existence of a moral absolute are, Murdoch argues, science and structuralism (by which she means Derrida's views). Both enterprises analyse, deconstruct, unpeel the wholeness of things. Science seeks only facts, and excludes value; structuralism premisses the merely relativistic nature of truth. Both therefore marginalise morality.

The view that objective Goodness exists, that it is both pervasive and authoritative in our lives, and that we all know what it is, is familiar enough in philosophy. Even if it were untrue many would wish it otherwise. So Murdoch is not offering a new theory. But it is a surprise and a refreshment to have this view defended again, and in such an original, sensitive and powerful way. Yet the old doubts remain: can such a view be argued, or can it at most be urged?

Murdoch recognises that her

METAPHYSICS AS A GUIDE TO MORALS
by Iris Murdoch
Chatto & Windus £20, 530 pages

view cannot be stated in knock-down argument form. It has to be exhibited from different angles to be made persuasive. Like other contemporary philosophers Murdoch holds that ethical theory must travel widely for its materials, in literature and elsewhere, and that it best proceeds by seeking patterns and perspectives through which, at last, one can understand the nature and authority of moral reality. Accordingly her method is to discuss art, comedy, imagination, religion, and a number of other themes, in what at first seem to be discontinuous and internally rambling essays, but

which in the end, by accumulation, build the case for her view. Indeed it is only in the closing chapters that the picture begins to clarify fully.

The book's appearance of rambling is, however, exacerbated by two things. First, Murdoch seems to have given up trying to turn a mass of notes into a treatise, and to have simply transcribed the notes instead, complete with parenthetical reminders to herself and frequent over-long quotations. Secondly, there is no signposting: the book begins abruptly and strolls on by itself, with readers rarely being told what conclusions are being sought or how the discussion will proceed. Murdoch's commitments emerge at irregular intervals, but it is only in the short chapters at the end - doubtless written when she at last began to marshal the growing luxuriance of notes into a book - that direct statements of her these appear. In its form the book resembles a novel: reading a novel is like taking a night-train to an unknown destination, which is part of the fun. But discursive literature has a different etiquette.

One hopes that Murdoch has not deterred too many readers by leaving them mapless in this way, for this is a significant book, lambent with insights, intelligence, and profound concern, and it hugely rewards careful reading.



Iris Murdoch: lambent with insights, intelligence and concern

Fiction/Alannah Hopkin

High on Victorian obsessions

IN THE SECOND of two novels in this volume, the poet Tennyson hears "the buzzing of little flying fragments of language that hung around his head all the time in a cloud..." and henceforth I will always see A.S. Byatt through a similar cloud of buzzing fragments.

Her mastery of the High Victorian style was demonstrated in her prize-winning 1990 novel, *Possession*, but like many recent novels, it is also lengthy sections of pastiche difficult to enjoy. But here, A.S. Byatt communicates a love of words and a delight in their diversity and power that amounts, at times, to a giddy infatuation. The combination of high spirits and erudition is both challenging and exciting.

Both novels are quite separate. *Morpho Eugenia* refers to a large Amazonian butterfly and is the lighter and funnier of the two. It concerns a young entomologist, William Anderson, penniless after a shipwreck on his way back from the Amazon. He is offered work and hospitality by one of his patrons, Sir Harold Alabaster.

reproductive cycle (twins twice, giving a total of five babies in three years) while her husband argues Darwin with Sir Harold and studies ants with the younger children and their companion, Matty Crompton.

Matty, in spite of her lowly status as poor relation, has a considerable intellect. While there are obvious parallels between the ant-hills they observe so closely and the Alabaster household, Matty would

ANGELS AND INSECTS
by A S Byatt
Chatto & Windus, £14.99, 260 pages

extend this to the Industrial Revolution and the American Civil War: "analogy is a slippery tool", says William. "Men are not ants."

And yet, in a sense, the reader is presented with one vast analogy, which is also fairy tale, fable, parody and allegory. The Darwinian debates with Sir Harold and extracts from books written by William and Matty add to the prismatic effect, while on the realistic level narrative conventions of the time are again defied to provide our hero and heroine - with a happy ending.

The title of *The Conjugal Angel* sent me straight to the dictionary where I made the useful discovery that "conjugal" was used by Swedenborg in preference to "conjugial". Ah, the pleasures of erudition! This emerges in any case from

the account that follows of two seances held in 1876 in the Margate home of Emily Tennyson. She was previously engaged to Arthur Henry Hallam, whose death in 1833 inspired her brother's poem *In Memoriam*. One of the mediums, Lillias Papagay, a clever touch, is the wife of the Captain in whose ship the hero of the previous novella returns to the Amazon: he has been missing for ten years, probably dead. The Swedenborgian theorist, a Mr Hawke, is one of several characters whose condescension illustrates just how frustrating it must have been to be a woman of intellect in Victorian times. "Mrs Papagay was an intelligent, questioning kind of woman, the kind who, in an earlier age, would have been a theologically-minded nun and in a later one would have had a university training in philosophy..." She did not know much history, though she had read all the novels of Walter Scott...

The matter here is more directly literary with long passages of Tennyson and Hallam requiring a leisurely approach. A.S. Byatt deals with another set of Victorian obsessions here: theology, angels, the after-life and, of course, the conjugal. But Byatt is a compulsive story-teller and although the telling of a story is not her prime concern, she does it extremely well. That, and her ebullient use of language, are characteristics shared by both these highly accomplished novelists, the work of a first-class writer on top form.

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Good
God
philosophy

ARTS

Museum for the man in the street

ALMOST FIVE years ago Elizabeth Esteve-Coll took over as director of the Victoria & Albert Museum to a barrage of criticism unprecedented even in the history of museum politics. Previous V&A directors had been dismissed by senior members of staff, howled their protest at her supposed Philistinism. She was seen to be a Thatcherite appointment, under orders to bring market forces into what was seen as a cosy society of indolent, pampered curators.

Her expressed wish to open up the V&A to the man in the street, making the collection accessible to a wider audience through detailed labels and audio visual presentations, struck at the traditional view of the museum as a place where scholars could quietly enjoy the finest collection of Renaissance bronzes outside Italy, or study an unrivalled array of Georgian furniture.

In January Mrs Esteve-Coll starts her second five year term. Her reappointment by her Trustees offers a good opportunity to assess her radical stewardship. How far has she changed her vision into reality? Well, in the numbers game the V&A scores heavily, with attendance up 26 per cent this year to date, to over 880,000. The museum

looks much better, simply sparkling with new galleries - for Indian art, for Chinese, for Japanese, with a refurbished 20th century gallery opening next week, and one devoted to Korean art in December. Large exhibitions are reappearing at the V&A, like the successful *Visions of Japan* and the unsuccessful *Sovereign*, a celebration of 40 years a Queen.

The gleam of Mrs Esteve-Coll shines brightest in the Choi gallery of Chinese art. It was financed by a Hong Kong businessman. Its content was determined by market research into what the public wants. It covers Chinese culture through universal themes - displays devoted to eating and drinking, worship, ruling, burial, etc - themes with which a modern family visiting the V&A on a Sunday afternoon can relate and a world away from the traditional cabinets crammed with a hundred Tang horses and two hundred Ming vases.

She is quite explicit. "The role of this museum is education. That was why it was founded - to improve the taste of the general public in art and design, and to improve the taste of manufacturing industry. In the last five years we have gone back to these first principles."

This means that the museum is now heaving with school parties.

Eighteen months ago 10,000 children visit the V&A. Now it is 80,000 a year. By 1994 it will have risen to 100,000. They will gather in the converted Old Boiler House gallery which becomes an educational centre.

This return to first principles is linked to the new national curriculum and the willingness of Government and industry to finance such expansion. All through the Esteve-Coll reign at the V&A there has

been this close interweaving between changes and money. It is not hard to notice that most of the new galleries concentrate on oriental art - that is where sponsorship is forthcoming. Critics bemoan the fact that one of the traditional strengths of the V&A - its English furniture collection - has not received such lavish renovation. Who would pay for the overhaul?

Mrs Esteve-Coll is undoubtedly alive to the links between art and finance. She has supported her Trustees over the introduction of a

voluntary donation from visitors, which brings in £1m a year. She is proud of the fact that this month saw the start of a series of travelling exhibitions of the V&A treasures in Japan, with the useful fee compensating for their temporary loss.

But she is adamant that the driving force behind her changes is much more mundane than making the museum a cost effective business. "Most of our developments are driven by the condition of the roof". That is why the Indian gallery received early treatment: its roof actually leaked. Now the hunt is on for money to patch up the Sculpture Court and the Raphael Court.

But where does this leave the scholar and the aesthete? Unlike the average visitor he might not welcome the relabelling of the Donatello sculptures, with large graphic panels relating the sculptor to the Italian Renaissance. He might want to examine a hundred George II chairs or as many Victorian fabrics, looking for marginal differences. It leaves him in Battersea or Olympia where the V&A has stored away in warehouses 350,000 objects which are readily available to anyone interested.

Is there then a two layered V&A, the spruced up South Kensington Museum, making the arts and crafts of the world accessible to the gen-



Elizabeth Esteve-Coll: elected to start her second five year term

to Frank Lloyd Wright in January follows on the Korean and the 20th century.

There is perhaps an air of uneasy compromise about the place. The dodging of the admission charge issue; the revitalised galleries being sponsored; the gap between the undoubted scholarship that thrives at the V&A with the exhibitions of work by hip graphic

designer Neville Brody, an unconquering show of pop ephemera, and a free plug for Elton John's collection before its sale at Sotheby's. But undoubtedly Mrs Esteve-Coll has survived and brought her vision - "the professionalisation of the whole museum" - to some sort of fulfilment. The V&A looks better, is more exciting, has a wider appeal, and is humming as never before.

A painter who plays with perspectives

JOHAN WONNACOTT is as ambitious a painter as any currently at work in England, both in the scale of his paintings and the complexity of the formal problems which he sets himself. He is also remarkably prolific. The large upper gallery and the stairs at Agnew's is now filled with the work he has done in the past two years. His subjects embrace the landscapes of his home at Leigh-on-Sea, in Essex, and interiors at times no less extensive. Recent commissions include a portrait of the late chairman of British Caledonian, Sir Adam Thompson, high on a gangway above an aircraft-building workshop, for the Scottish National Portrait Gallery, and a substantial sequence of paintings of the

devices of perspective, paint and line. His perspectives are more often forced than not, which is to say that rather than being eased apart and accommodated, the several vanishing points are accepted as they are, their pictorial logic worked through to a conclusion. As with the monocular fish-eye lens of the camera, the system rigorously applied leads to a certain distortion. The assumption is easily made, too easily in Wonnacott's case, of a reliance upon such photographic reference.

But there is nothing here of photo-realism. The binocular complexity is all too evident, the scrutiny direct and unmistakable, the visual solution entirely achieved by hand and eye working together at the brush's end. The long sequence of self-portraits give the game away, if game it is, for there is no escape from the self-portrait if the artist is to be honest with himself and his work. Wonnacott's self-portraits by now supply a substantial oeuvre in themselves, and are at least as fine as anything else he does. There is no sign here that the supply is about to fail.

Two other current shows require a mention. I reviewed Bridget Riley's Hayward show at length some two weeks ago, and there is no need now to rehearse those favourable arguments. All I will say is that her works on paper now at Karsten Schubert are as authoritative and beautiful as any of their larger relations across the river.

At Gimpel Fils, *Three Score And Ten* celebrates Albert Irvin's 70th birthday. He is a painter quite as remarkable for his energy as for his formal invention and technical command. And he too is properly ambitious, if only to celebrate truly in his turn the unending visual thrill to be had in the experience of paint and colour. His is a bravura abstract expressionism to lift the heart.

John Wonnacott: Agnew's, 43 Old Bond Street W1, until November 6; Albert Irvin: Gimpel Fils, 38 Davies Street W1, until November 21; Bridget Riley: Karsten Schubert, 85 Charlotte Street W1, until November 14.

William Packer reviews the work of John Wonnacott

Naval refit dockyard at Devonport, initiated by the Imperial War Museum. As a painter of the technological landscape, whether of a factory or a radio-telescope, he is on his own.

But for all its variety and grandiosity, the essential subject of the work now on show is altogether more consistent and mundane. One of the largest canvases in the show, and one moreover that is entirely characteristic of the whole, depicts an aircraft hanger, no battleship, no crane or telescope, but only a standard easel set in the centre of the studio, and on it a mirror in which the artist sees himself. The easel reaches up into the ceiling void, to probe and define the space itself. Below, the easel-legs and palette-stool fall away by the pictorial logic of the forced, vertiginous perspective. And in the centre sit the mirror and the artist, the one a flat plane within the real, perceived space of the room, the other within the mirror's own proposed, reflected space - surface upon surface, space within space.

Wonnacott's subject is the space itself, the space occupied and animated by object or figure, and realised by all the



John Wonnacott's 'Self portrait with Brown Easel'

Literary feast in Cheltenham

This year's Festival, which has just completed its first week, is immensely successful.

The opening day included a memorial reading for Alan Hancox, the Cheltenham bookseller who has long been the Festival's patron saint and occasional director - perhaps mainly of local interest, but the readings were by Ted Hughes, Seamus Heaney, Michael Foot and Melvyn Bragg, no modest assembly. Then a debate, about war correspondence's capacity to give the whole truth, between America's Martha Gellhorn, the BBC's John Simpson, and Max Hastings, Editor of *The Daily Telegraph*, which currently sponsors the Festival. The day's rousing conclusion was Anthony Burgess's Cheltenham Lecture, on translation; his versions of Roman dialect verses included four-letter words seldom heard in that hall.

Is there any special theme? A visitor asked me. Half-a-dozen at least, from which you might choose biography, travel, therapy or crime before reaching mere literary criticism or plain old poetry (for which poets have an hour every day). Therapy may seem unex-

pected, but we had an interesting analysis of Salman Rushdie's *Haram* and the *Sea of Stories* by Kleinman analyst Hanna Segal. Wordsworth's *Prelude* was psych-ed by Dr Ronald Britton, and George Eliot's *Middlemarch* by A.S. Byatt and Ignes Sodre. For the opposition, *Against Therapy*

ing, Patrick Marnham discussed Simonon, whose biography he published this year. John Mortimer affectionately offered a parade of both fictional and real villains. Biography was well represented too. The practice of the art was luminously examined by Hilary Spurling

Criticism, therapy, crime - B.A. Young experiences it all at this year's festival

was a superbly witty attack on therapists by Fay Weldon, in which she read some of her new novel. Travel was sensibly discussed together by Redmond O'Hanlon, Colin Thubron and Gillian Tindall, and less seriously by humorist Miles Kingston, who travels with a double-bass.

Crime fielded a strong side. P.D. James asked *How Good are Crime Novels?* - is crime trivialised? Can the writer get properly into the criminal mind? As Lady James has entered another field in her newest novel, perhaps she felt too many literary hand-cuffs. In *Serious Crime*, three days later, Ruth Rendell, Julian Symons and H.R.F. Keating paced the same field with their own individual tread; and next morn-

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Off the Wall/Antony Thorncroft Fastest bar in the West

ONE OF London's most cherished monuments, the Albert Memorial, has been covered in scaffolding for almost two and a half years now. It is likely to be many years before a rehabilitated and restored Memorial comes into view.

The Albert Memorial, along with other construction projects underway in the Royal Palaces and Parks, seems set to take the full brunt of the cost cutting exercise underway in the new Heritage Ministry. The penny seems to have dropped that in an enlarged Ministry, with responsibility for broadcasting, sport, the press, etc, as well as the arts, money can be found for the more vociferous lobby, such as the performing arts, at the expense of the more pacific, like the Royal Parks.

A battle royal is taking place between the new Minister, Peter Brooke, and the Treasury over the size of the Department's 1993-94 grant. At first a freeze was proposed for such key clients as the Arts Council but it was pointed out that if the Government reneged here so would arts sponsors, and the arts could lose two sources of income. There was also a feeling that a new Minister deserved a break. Even so, arts companies have been warned to expect at best a marginal increase in grant.

And any more money for drama, music, dance, etc. will be at the expense of the poor old Albert Memorial. It would cost around £14m to restore it to its fully glory, half that to patch it up for 50 years. Neither sum is likely to be forthcoming. The scaffolding may well be the only support the Memorial gets for many years.

The fastest bar in the West End is the circle at the Coliseum. That is the kind of vital information that was available at the first Stage Fair, held at the Theatre Royal Drury Lane

this week.

The Fair was arranged by the Society of West End Theatres a drum beating occasion. In fact, given the recession, and steadily rising ticket prices, the West End has survived miraculously well to date - audiences are up 3 per cent on the year, although the last month shows a 3 per cent decline on September 1991. Hence the need to sell shows to that increasingly vital customer, the organiser of group bookings.

Group bookings - parties of 12 or more - make up 10 per cent of the West End audience now as against 4 per cent six years ago. Of course they are the playthings of market

forces. Shows like *Phantom of the Opera* have no need of groups, and at the best offer them tickets at face value, while the walking wounded among the musicals (groups concentrate on booking musicals) will offer up to 50 per cent discounts for matinees or Monday nights.

The theatre does seem to be getting its act together. *Amie Get Your Gun*, which opens next month, is actually making another bid for a Sunday matinee audience, despite the extra costs and the fact that previous attempts to develop this market fizzled out.

The world's most unlikely capitalists must be the staff and audience of the Theatre Royal, Stratford East, who keep the Red Flag flying with the politically correct plays that make up their programme, along with hit musicals. But now a company, Stratford East Productions, has been capitalised

with £250,000 from mainly tiny "angels" to take the theatre's current success *The Invisible Man* into the West End.

Stratford's enthusiasm for Shaftesbury Avenue has been fuelled by its experience with *Five Men Named Moe* which has totally transformed the commercial fortunes of the theatre. *Moe* started at Stratford where it was picked up by producer Cameron Mackintosh who saw its West End and Broadway potential.

Mackintosh is rich enough to make a generous gesture and he allocated Stratford a third of any profits, plus additional perks: most producers would have offered just 2 per cent of any gross revenues. *Moe* has made over £500,000 for Stratford East.

The *Invisible Man* attracted its share of commercial producers anxious to take it on but none with an offer that compared to the deal on *Moe*. Hence the decision to form its own production company, which ensures Stratford 40 per cent of any profits with 60 per cent to share among the angels. Other suburban theatres have chased the same money making dream, notably the Lyric Hammersmith and the King's Head, with indifferent success, but Stratford East reckons that it has a certain winner in Ken Hill's adaptation of the H.G. Wells novel. And, to make this a victory for the little man, the biggest backer of the show, with a £50,000 stake, is willing to sell off smaller shares to stage-struck investors.

The only problem now is Christmas. Unless a West End theatre of around 800 seats falls vacant in the next week *The Invisible Man* would face the prospect of a December opening, a bad time to launch a new musical. But with everyone so psyched up, a regional tour could probably keep the cast together for a few more months and permit a 1993 West End debut.

annual Shakespeare Lecture was given by John Bayley on *Shakespeare's Enemies*, the commentators who impose false emphases or meanings on the plays; and the Cheltenham Lecture by Peter Ackroyd, in a marvellous hour on *Englishness and the English Language*. He traced a specific character in English from Philip Sidney to the middle of the 19th century, the equivalent of Hogarth's "time of beauty" - now no more.

This is no exhaustive view of what we have heard so far in the Festival, superbly directed by Richard Cohen. There was a children's drama festival too, four newly-commissioned plays, that alas I had no time for. More when the Festival is done.

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THIS YEAR'S US presidential election is notable for what has not been said, rather than what has passed the lips, read or otherwise, of the candidates. In particular, no one, so far as I am aware, has asked of any of the contenders: "Will it be safe if his finger is on the button?"

As older readers than I will remember, it was that question which ditched Barry Goldwater's presidential campaign back in 1964. Voters had a genuine fear of being blown to smithereens, or something even messier, in a nuclear holocaust. But no one even talks about fingers on nuclear buttons these days. The greatest of all our fears has ended with the cold war.

And yet, human nature being what it is, we are no happier, no more relaxed. Indeed, recent polls

of American opinion, for what such polls are worth, suggest that peace between the superpowers has not increased one iota the happiness of those formerly in the firing line.

What seems to happen, in fact, is that we experience a roughly constant level of panic and stress which we attribute not to our own nervous but to whatever external factor seems to be the most distressing to us. In the cosseted west, this leads us into an absurd misuse of language.

You may recall the newspapers and television programmes at the time of Black Wednesday. Even the non-tabloid papers used words such as "catastrophe" and "disaster" and "nightmare."

Normally sober-suited men from the Bank of England described the occasion as the "national day of humiliation."

Yet, all that had happened was that the pound had been forced to find its own level against the D-mark - not by any means an unprecedented, or unfamiliar, or even damaging state of affairs.

At about that time, I took out to lunch someone who had recently spent a number of years in eastern Europe. She could not understand the angst of the British press, expressed in such hysterical form.

"If you use words like these to describe what has happened on the foreign exchange market, what words will be left for you to employ

when you experience a real disaster?" she asked.

"In Poland, we have just endured a 40 per cent drop in industrial output. What word would an Englishman use to describe that, if it happened here?"

Now, following the announcement of 30,000 redundancies in the coalfields, the commentators are wheeling out the S-word. What will they say if we really do enter a slump? Clearly, a new word will have to be invented.

For the time being, headline writers talk of "male unemployment reaching levels not seen since 1930s." Yes, but, as in all things, it is proportions that count.

Male unemployment is now about

10 per cent of the workforce. In 1932, the figure was 23 per cent. In the past 20 years, the British labour force has grown by 3.2m. Ninety per cent of those new jobs went to women. The two-income family, almost unknown in the 1930s, is now a commonplace, with all the added security that it brings.

There is, however, an awful danger that the hysterically gloomy prognostications of the pundits will bring about precisely the dire state of affairs which they fantasise about. If people believe what they read in the newspapers, or are influenced subliminally by them, then certain things inevitably will follow.

Items of domestic spending, which could be afforded easily, will be postponed. Businessmen thinking of taking on new staff will, instead, start to wonder if they shouldn't actually be laying off workers.

One of the less attractive aspects of a market economy is the stampede factor. When one businessman moves and runs for cover, others lower their horns and head for the same hills. To mix the metaphor still further, we can observe that there are rather too many people about who enjoy shouting "Fire" in a crowded theatre.

Such people often forget a minor detail: that they are as likely as anyone else to get crushed in the ensuing rush for the sign marked Exit. Unlike the man with his finger on that old-fashioned nuclear button: he, at least, had his own personal bunker.

■ Dominic Lawson is editor of The Spectator

Time running out

Michael Thompson-Noel



Britain's spiralling descent into impotence and despair so wrecked my week that I resorted to reading advertisements as a way of escaping through the looking glass into a secure and prosperous world of cheerfulness and optimism. But the shock I got was twice as traumatic as anything being recounted in the news columns or bulletins.

I like advertisements. I am chic enough to call them adverts. And I like the glossy folk who work in advertising agencies. In the past, many a shot-riddled grouse did I knife into while lurching with the chairman or the creative directors of London's hottest agencies. (I avoided the media directors, who purchase time and space; they are sweaty and aggressive and are often sick on the carpet.)

The advert that sent my spirits plunging was a newspaper ad for Mercedes. There was a headline: "One day you will own a Mercedes. Why wait?" And it was written in those short, zingy, hairy-chested paragraphs that are deceptively easy to imitate but which require - takes my word - the skills of a punk-tousured, bejewelled and ear-ringed copywriter who lives in an Elizabethan watermill, owns a helicopter and is attended, at every twist and turn of his 28-year-old life, by flunkies and catwalk creatures of unsurpassed exoticness.

It started: "Some of you there have told us you want a Mercedes. But not just now. 'Chance would be a fine thing,' you mutter. Or, more to the point, 'I can't afford one at the moment.'

HAWKS & HANDSAWS

You might even remark, 'I'm not old enough yet.' What have we done to deserve such back-handed compliments? Has our reputation for the highest quality also given us a reputation for the highest prices?

There was more in like vein, with all the right trigger-words: reliability, durability, high resale value, safety, crumple zones, ABS brakes, unique. We were told there are 36 models of Mercedes to choose from, and that current UK prices range from £16,830 to £28,300 (plus delivery). But then the advert got serious. Its cleverness overflowed. I was plunged into melancholy.

It doesn't take much to plunge me into melancholy. What did it this time were these three paragraphs: "No wonder that over 80 per cent of people who buy a Mercedes go on to buy another. They understand the difference between price and value. So if you want a Mercedes, wait no more."

Our cars can last for such a long time (there's one in the Guinness Book of Records with a million miles on the clock) that if you wait too long, you may never get the chance to enjoy your second one.

At present, I drive a Rover 216S. The Rover is a British-built car. I like my Rover. Because it has 2,127 of the recognised 2,128 design faults expected in a British car, I have promised it to the Science Museum, which is understandably thrilled.

The reason I bought a Rover in the first place is because I am one of those people who imagined, wistfully, that whatever Laurel and Hardy did to wreck the economy, their efforts would be thwarted, or at any rate delayed, by those of us eccentric enough to buy British products.

A year ago, however, I decided that when the time was ripe and the Rover had gone to the Science Museum, I would sell a painting or two, cash in some options, denude my portfolio of several of its Premium Bonds, instruct Miss Lee, my executive assistant, to stop buying bloody Chanel and purchase a Merc. Only a little one, though I imagined it would have a telephone.

Then I read Mercedes' advert, and that boric reference to people who may never enjoy a first one, for times are truly dire. I do not mean Laurel and Hardy. I mean everything around. In the view of Alan Greenspan, most of the world is confronting a bout of severe asset deflation which policymakers have little or no chance of correcting, heralding a recession whose like we have not known and whose possible duration means I will never own a Mercedes.

Time is whizzing by. If I live to 65, I will see 18 more springs - an unbearably finite number - 18 more autumns, 18 more Epson Derbies and 18 more Christmas trees decorated by Miss Lee from her beautiful collection of trimmings and lights.

Asbes to ashes. What an amazing piece of copywriting.

Private View/Christian Tyler

The modest face of heroism

Tom Bird, a much decorated hero of the most famous clashes at Alamein, discusses how, 50 years ago, the turning-point battle of 'Snipe' changed his life

WHEN 36 old soldiers dine tonight to commemorate the 50th anniversary of the battle of Alamein, they will doubtless be transported back to the smoke and roar of the desert campaign. But does war change a man's whole life?

Among the Rifle Brigade veterans at dinner in Winchester will be Tom Bird, a retired architect. Four times wounded and three times decorated, he survived an extraordinary incident during Alamein which the regimental historian has called "the most famous of our war."

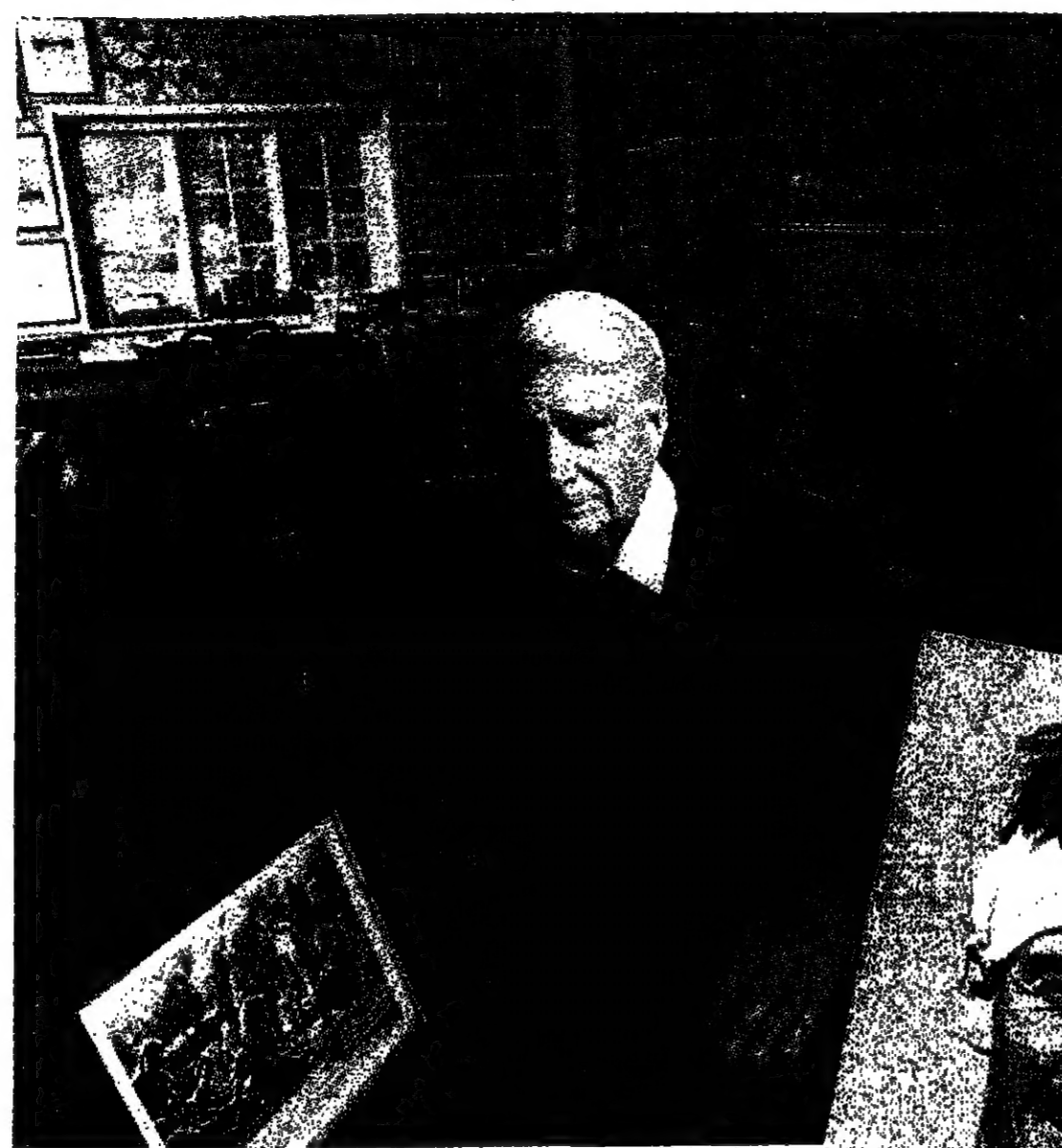
The battle at "Snipe" began with a tricky advance to Kidney Ridge on the night of October 26 1942. When dawn broke, the 300 men of the 2nd Battalion Rifle Brigade, plus a detachment of Gunners, found themselves with their 19 anti-tank guns and 22 Bren carriers in a shallow depression, an enemy dump occupied by corpses, excrement and flies. They were in the wrong place, too far forward and virtually surrounded.

From dawn till dusk, with nothing to eat and little to drink, the sleepless riflemen and gunners were attacked by wave after wave of German and Italian tanks. Twice during the day they were mistaken for the enemy and mercilessly shelled by their own side. They shot 16 tanks before breakfast, and morale was lifted further when a sergeant hit another at over 1000 yards. But, as the day wore on, the battle became frantic: men and officers were jumping to the guns to replace the dead and wounded and ferrying ammunition under terrible enemy fire. At times, tanks outnumbered guns by 10 to one and were being stopped in their tracks only yards from the muzzles.

When they were finally able to withdraw at 11.15pm, with one gun in tow, the defenders of Snipe had lost 70 men killed or wounded. But they had destroyed or disabled 60 enemy tanks and guns and broken the back of Rommel's counter-attack. Such was the devastation, a special committee was appointed to check the score.

The fame of the battle spread quickly. The battalion commander, Lt Col Victor Turner, badly wounded in the head while acting as a loader, was awarded the Victoria Cross. Tom Bird, commander of the anti-tank company and also wounded in the head, won the DSO. Four other officers and 11 men were decorated.

It was not the first of Bird's exploits. In January 1941, he had



Tom Bird, retired architect and (right) after the battle at 'Snipe'

been sent with a carrier platoon to create a diversion behind Italian-occupied Tobruk. Finding modest resistance behind the wire, he pressed on through the defences, capturing 2,000 prisoners and 49 guns. He won the Military Cross.

At Sidi Rezegh in November, he was wounded in the ankle. The next year, he led a night raid on the Italian lines at Gebel Khalakh. Crossing 2,700 yards of moonlit desert under fire, he captured a dozen prisoners and an anti-tank gun with the loss of only one man. He was given a bar to his MC. He was not decorated, however, for getting a supply convoy into - and out of - a besieged Free French garrison at Bir Hacheim, nor for his frequent night patrols behind enemy lines.

I asked Bird if he had known in advance how he would behave under fire.

"No, I don't think you do know. It's rather a relief to find, however frightened you are, that you can appear reasonably calm. Creeping around behind the enemy lines in the middle of the night I found far more frightening, really, than trying to remain calm under attack."

Did you think Snipe was your last day on earth?

He laughed. "I think probably, yes. No, you never really think that.

It did appear we were being fired at all day from every direction. At the end I looked upon it in a rather different light than people do now. My second in command, Hugo Salmon, had been killed. Four of my officers and I had been wounded and we'd lost all our guns. So it didn't seem like much of a victory."

Because of his wounds, and through a family friendship, the young major was appointed ADC to General Wavell, now commander-in-chief, Far East, in Delhi. Leaving behind the heat, sand and flies, he found himself in a house with 113 servants. "But I found the change not difficult to adjust to," he smiled. "Within a week or so, you were just rather indignant if your martini wasn't ready when you wanted it."

After briefly rejoining the battalion to command a dash to Beirut to quell a riot, Bird was given home leave. His father, who had been seriously wounded in both legs at Gallipoli in the first war, was ill. The son became an infantry instructor at Barnard Castle, Yorkshire. But after seven months, and with the army now in northern Europe, Bird felt he should be fighting again.

He joined the 8th battalion on the Albert Canal in Belgium. Two days later, driving through a village

under heavy fire, he got out of his vehicle to help a wounded Bren gunner. He was instantly pierced through the back, chest and leg by a shrapnel burst. Rescued under cover of a smokescreen, he joined the critical list.

Bird was lucky. He ended the war as ADC to Field-Marshal "Jumbo" Wilson at the British mission in Washington. There he fell in love with Alice Runaker, daughter of a distinguished Bostonian aeronautical engineer, and married her.

Gentle humour, not heroics, is what distinguishes Tom Bird. He is a man whose eyes seem always alight; when his voice slows and tails off, it is a sure sign that a joke is coming up. But there is nothing artificial about his singular brand of humorous understatement.

As a Winchester schoolboy (many Rifle Brigade officers were there or at Eton, as most of the men were from London's East End), he learned to draw and thought of becoming a painter. He seemed to

most. We did everything together. I hadn't been able to imagine life without him... I think for a time after that I didn't mind too much what happened to me, either."

After the war, Bird went back to architectural school; he described how the student-colonels would intimidate the lecturers from the front row. Then he went into partnership with another young architect, Richard Tyler, a sapper who had lost a leg at the battle of Sidi Rezegh and whom he had met in Heliopolis hospital near Cairo.

I asked Bird if peace had come as an anti-climax after wartime celebrity. "Snipe wasn't that famous then. It has become famous in a way because it was the turning point of Alamein, which has been regarded as the turning point of the war. But I didn't suffer from being a celebrity. I can assure you of that."

He likes talking about the war and has felt more free to do so as he



Despatches/Franschhoek

Whites face a coloured future

Patti Waldmeir feels the winds of change in a South African town

KAREL PEPLER stands unsmiling behind the counter of his immaculate butcher shop in the pristine white town of Franschhoek in the Cape, and tries to find something positive to say about Frank Arendse. He is the small, brown man who has just become the first non-white mayor of a white town in South Africa.

It is obviously difficult for Pepler, a prosperous Afrikaner, to believe that a "coloured" (mixed race) farm labourer's son now wears the mayoral chain of a town ruled by whites since Huguenot refugees first settled in this spectacular cul-de-sac of the Franschhoek mountains in 1694. He is not alone in this - either in Franschhoek or in the rest of South Africa, where local government integration will eventually mean black, brown or Indian mayors in almost all towns.

History, of course, is on Pepler's side: his is the name recorded on the tombstones in the old church graveyard, where the frontier families who founded Franschhoek are buried, while the "coloured" population rates hardly a mention in the official town history. It notes

merely that, in 1875, "it was decided to establish a separate coloured congregation" of the local church, and that the congregation's first pastor, the Rev. Haylett, "had to use great tact in persuading the three remaining coloured families adhering to the parent congregation to join the mission (coloured) congregation."

Three-quarters of a century later, in the 1930s, Franschhoek's leaders abandoned tact altogether and removed coloured residents forcibly from their houses in the town - with its gables and its wrought-iron, a gem of Cape Dutch architecture - to Groendal, a site about 1km distant where the houses are cheap and crowded and the streets are dirt or mud. Power and prosperity remained in the white town, with its lovely vistas of granite mountains and vineyards.

Now, almost 300 years after the first Huguenot settlement, history has driven Franschhoek to find a new political centre of gravity: among coloureds, who outnumber whites by 3,500 to 1,000, and to whom power will pass in a post-apartheid South Africa. The whites of Franschhoek (along with most in South Africa) have seen the future, and they know it is non-white.

They have little choice: in Pepler's butchery, the clients are coloured and the shop assistant is coloured. Only Pepler is white. He assures me that many town residents oppose the idea of a coloured mayor (his neighbour says he is one of them, although he is too clever to say so to a journalist). Pepler's argument is more subtle: Arendse is inexperienced, he says, dismissing the whole issue by arguing that it

hardly matters who is mayor of Franschhoek, anyway - the real power lies with the town clerk. Arendse reckons, though, that about 80 per cent of whites support him, and a straw poll of whites shopping in the high street on a sunny afternoon this week suggested he probably was right.

Certainly, there was nothing to force white Franschhoek to choose a coloured mayor: until one month ago, the town council was all-white and always elected a mayor from its ranks. Last month, however, the administrator of the Cape province granted Franschhoek permission to merge the white council and the coloured "management committee" which advised the council on coloured affairs, creating one of South Africa's first multi-racial local councils. Arendse was elected from the

enlarged council on September 28, with votes from six coloured councillors and two whites (probably those who are members of the liberal Democratic party).

A modest man who smiles nervously when speaking publicly (especially in English, his second language after Afrikaans), Arendse says he feels keenly the pressure to perform. "If I can't deliver the goods, then the whole idea of one (multi-racial) council can be a flop in other parts of the country. All the eyes are on me: can a coloured man run a town?"

Most whites say they are happy for him to try - so long as he does not support the African National Congress (ANC). The new mayor has assured them that he is no radical - he was a prison warder for 13 years at the same jail where Nelson

Mandela spent his last years in captivity, and has since built up his own liquor and disco business in the township - but his friends say his sympathies are with the ANC (which, to his annoyance, has condemned him as a puppet because he was not elected democratically).

Still, Pepler thinks nothing much will change in Franschhoek: the white council already was spending 70 per cent of the town budget on upgrading the coloured township (whites fund three-quarters of the budget with residential and commercial rates), and Arendse says it will be difficult to spend more without funding from outside, perhaps from overseas.

Grudgingly, Pepler concedes the new mayor could prove a success, especially as there are "lots of people (ie, whites) on the council to help him." Does that mean he is ready for a black man as president? "That's another thing altogether," says the butcher, demonstrating that even if one irrational prejudice can be overcome, others remain.

"We're used to coloureds," he explains. "But blacks? No, we're not used to the blacks at all." And that means Nelson Mandela.